INCENTIVE EVALUATION COMMISSION
HYBRID SPECIAL MEETING
MARCH 25, 2021, 10:00 a.m.
Oklahoma State Capitol Building
Senate Conference Room 4S.9, 4S.8 (419-C, B)
2300 N. Lincoln Blvd., Oklahoma City, Oklahoma 73105
Live Stream: https://oksenate.gov/room-4s9

AGENDA

This hybrid virtual special board meeting is being held consistent with the amendments to the Open Meeting Act, 25 O.S. 2011, § 301 et seq, signed into law by Governor Stitt on Wednesday, February 10, 2021, SB1031, 2021 O.S.L. 1, § 1

Link to access meeting:

https://omes.webex.com/omes/onstage/g.php?MTID=ebd387833fa7e075934367b2bf7537031

Event Password: IECM

Call-in information: US Toll +1-415-655-0001; Show all global call-in numbers

Access code: 187 627 6337

The notice of this hybrid virtual Special Board Meeting was filed with the Secretary of State's Office on Mar. 22, 2021. Notice/final agenda was posted on Mar. 24, 2020, at 9:30 AM, at the Department of Commerce Building (address in header), Will Rogers Building at 2401 N. Lincoln Blvd, Oklahoma City, OK 73105 and on the IEC website.

https://www.sos.ok.gov/meetings/notices/002199/0523502103221424.htm

The Commission may discuss, vote to approve, vote to disapprove, vote to table, change the sequence of any agenda item, or vote to strike or not discuss any agenda item.

The following Commission Members have the option to participate in person or remotely using the WebEx videoconference platform:

- Lyle Roggow, President Designee of the OK Professional Economic Development Council – *In-person*
- Carlos Johnson, Certified Public Accountant – *In-person*
- Dr. Robert Dauffenbach, Economist – *Virtual*
- Mandy Fuller, CPA, Auditor of Private Company – *Virtual*
- Earl Sears, Bartlesville, OK – *In-person*
- Comm. Charles Prater, Ex Officio; Non-voting (Tax Commission) – *In-person*
- Brandy Manek, Ex Officio; Non-voting (OMES) – *Virtual*
- Brent Kisling, Ex Officio; Non-voting (Dept. of Commerce) – *In-person*

If any of the above-listed Commission members loses videoconference communication during the meeting, he or she will attempt to rejoin and participate by teleconference.

AGENDA

- ☐ ITEM #1: Call to Order and establish a quorum. [Lyle Roggow, chairman]
- ☐ ITEM #2: Approval of Minutes from the January 21, 2021, commission meeting. [Chair]
- ☐ ITEM #3: Recap on 2021criteria in relationship to the 2017 incentive evaluation criteria. [Chair]
- ☐ ITEM #4: Presentation on list of exempted business incentives through 2020, as well as incentives that have not yet been reviewed because of recent enactment or effective date. [Chair]
- ☐ ITEM #5: Discussion and update on progress that includes benchmarking and timelines for incentives review by PFM Consultant, Randall Bauer. [Chair]
  - ☐ Quality Jobs Program
  - ☐ 21st Century Quality Jobs Program
  - ☐ Small Employer Quality Jobs Program
  - ☐ Oklahoma Capital Gains Deduction
  - ☐ Home Office Tax Credit
  - ☐ Ethanol Fuel Retailer Tax Credit
  - ☐ Clean-Burning Fuel or Electric Vehicle Credit
  - ☐ Coal Tax Credits
- ☐ ITEM #6: Discussion on memo in relation to business incentive evaluations and layering. [Chair]
- ☐ ITEM #7: Announcements:
  - ☐ Next meeting date
- ☐ ITEM #8: Adjournment

Materials provided to members of the Board or shared electronically between members of the Board may be accessed here:
https://oklahoma.gov/omes/boards-commissions/incentive-evaluation-commission.html

INCENTIVE EVALUATION COMMISSION
SPECIAL MEETING MINUTES
Jan. 21, 2021
Oklahoma State Capitol Building
Senate Conference Room 4S.9, 4S.8 (419-C, B)
2300 N. Lincoln Blvd., Oklahoma City, Oklahoma 73105

Dr. Cynthia Rogers, 830 Van Vleet Oval, OU Norman Campus, 73072, 405-397-3067

UNOFFICIAL

A meeting notice was filed with the Secretary of State and an agenda posted in accordance with the Open Meeting Act.

MEMBERS PRESENT:
Lyle Roggow, President, Designee of the OK Professional Economic Development Council – *in-person*
Carlos Johnson, Certified public accountant – *in-person*
Dr. Cynthia Rogers, Economist – *virtual*
Earl Sears, Bartlesville, OK – *in-person*

MEMBERS ABSENT:
Mandy Fuller, CPA, Auditor of private company
Brent Kisling, Ex Officio; Non-voting (Dept. of Commerce)
Charles Prater, Commissioner, Ex Officio; Non-voting (Tax Commission)
Brandy Manek, Ex Officio; Non-voting (OMES)

STAFF/GUESTS:
Beverly Hicks, OMES
Taylor Ferguson, OTC
Randall Bauer, PFM
Matthew Weaver, ACOG
Lisa Haws, OTC
Mike Kaufmann, OTC
Leslie Blair, ODOC
Jon Chiappe, ODOC
Jesse Leveritt, OMES

1. **Call to order and establish a quorum. [Lyle Roggow, chairman]**

   Chairman Roggow called this meeting to order at 10:17 a.m. A roll call was taken, and a quorum established. A meeting notice was filed with the Secretary of State and agenda posted in accordance with the Open Meeting Act (OMA)**.**

2. **Approval of minutes from the Dec. 10, 2020, Commission meeting:**

   Carlos Johnson moved to approve the special meeting minutes for December. Cynthia Rogers seconded the motion. The following votes were recorded, and the motion passed:

Mr. Johnson, aye; Dr. Rogers, aye; Mr. Roggow, aye; Mr. Sears, aye.

Mr. Sears clarified that even though he had to be counted as absent at the December meeting, due to not being remotely visual, he heard every word of the meeting and had no problem voting yes on the Dec. 10, 2021, meeting minutes.

3. Discussion and possible action on election of chair.

Carlos Johnson moved to elect Lyle Roggow as chairman. Earl Sears seconded the motion. The following votes were recorded, and the motion passed:

Mr. Johnson, aye; Dr. Rogers, aye; Mr. Roggow, aye; Mr. Sears, aye.

4. Discussion and possible action on election of vice chair.

Earl Sears moved to elect Carlos Johnson as vice chairman. Cynthia Rogers seconded the motion. The following votes were recorded, and the motion passed:

Mr. Johnson, aye; Dr. Rogers, aye; Mr. Roggow, aye; Mr. Sears, aye.

5. Discussion and possible action on setting fiscal impact threshold for incentive evaluations second cycle.

Carlos Johnson moved to approve to set the fiscal impact at $1 million and that the Commission review all exemptions below $1 million to decide if any of them can be included in their review in the current year or subsequent years in this cycle. Earl Sears seconded the motion. The following votes were recorded, and the motion passed:

Mr. Johnson, aye; Dr. Rogers, aye; Mr. Roggow, aye; Mr. Sears, aye.

6. Presentation, discussion and possible action to approve or exempt any 2021 incentives and adopt evaluation criteria for PFM consultant, Randall Bauer.

- Quality Jobs Program
- Small Employer Quality Jobs Program
- High Impact Quality Jobs Program
- Oklahoma Capital Gains Deduction
- Home Office Tax Credit
- Ethanol Fuel Retailer Tax Credit
- Clean Burning Fuel or Electric Vehicle Credit
- Coal Tax Credits
- Production Enhancement Rebate (Gross Production)
- Reestablished Production Rebate (Gross Production)
- Economically At-risk Lease (Gross Production)

The following incentives were sunset by the Legislature in 2017 and have not been reenacted. The High Impact Quality Jobs Program has not been used and is not listed separately in the Department of Commerce's 2020 guide to state incentives. All four were repealed.

- High Impact Quality Jobs Program
- Production Enhancement Rebate (Gross Production)
- Reestablished Production Rebate (Gross Production)
- Economically At-risk Lease (Gross Production)

Earl Sears moved that the Commission exempt the four incentives from the review process on this particular go around; the High Impact Quality Jobs Program, the Production Enhancement Rebate, the Reestablished Production Rebate and the Economically At-risk Lease exemption. Carlos Johnson seconded the motion. The following votes were recorded, and the motion passed:

Mr. Johnson, aye; Dr. Rogers, aye; Mr. Roggow, aye; Mr. Sears, aye.

Earl Sears moved to approve the list that has been presented, except for the four incentives in the previous motion that were exempted and to adopt the evaluation criteria for the incentives as proposed by the criteria committee to be used by the Commission in its evaluation of incentives in the year 2021. Carlos Johnson seconded the motion. The following votes were recorded, and the motion passed:

Mr. Johnson, aye; Dr. Rogers, aye; Mr. Roggow, aye; Mr. Sears, aye.

7. Introduction of new incentives that have been discovered.

- Vehicle Manufacturing Tax Credits
- Software or Cybersecurity Employee Tax Credit
- Small Business Guaranty Fee Credit
- Agricultural Commodity Processing Facilities
- Safety Pays OSHA Consultation Service Exemption
- Tickets to National Basketball Association and National Hockey League Games
- Admission to Professional Sporting Events
- Oil or Chemical Drums
- Railroad Track Spikes
- Motion Picture and Television Production Companies
- Electricity Used in Oil De-watering Projects
- Enhanced Recovery Methods
- Web Search Portals
- Rolling Stock
- Precious Metals

These newly enacted incentives were recently discovered from the state tax expenditure report done by the Tax Commission. The Tourism Development Act was inadvertently left off the list and will be added. The Commission intends to continue monitoring these incentives.

8. Announcements – The next scheduled meeting is March 25, 2021.

9. Adjournment:

There being no further business, Mr. Sears made the motion to adjourn. Mr. Johnson seconded the motion. Seeing no opposition, the meeting adjourned at 11:31 a.m.

Oklahoma Incentive Evaluation Commission
Additional Incentives for Possible Evaluation

Incentive	Incentive Description	$ Estimate	Returns Estimate
Credit for Employees in the Vehicle Manufacturing Industry (68 O.S. §2357.404)	Beginning with tax year 2019, a qualified employer is allowed an income tax credit for compensation paid to a qualified employee. The amount of the credit is 10% of the compensation paid for the first through fifth years of employment in the vehicle manufacturing industry if the qualified employee graduated from an institution located in Oklahoma; or 5% if the qualified employee graduated from an institution located outside this state. The credit cannot exceed $12,500 for each qualified employee annually.	N/A (effective January 1, 2019)	
Credit for Tuition Reimbursement for Employers in the Vehicle Manufacturing Industry (68 O.S. §2357.404)	Beginning with tax year 2019, a qualified employer is allowed an income tax credit for tuition reimbursement to a qualified employee. The amount of the credit is 50% of the tuition reimbursed to a qualified employee for the first through fourth years of employment.	N/A (effective January 1, 2019)	
Credit for Employers in the Vehicle Manufacturing Industry (68 O.S. §2357.404)	Beginning with tax year 2019, a qualified employee is allowed an income tax credit of $5,000 per year for a period of time not to exceed five years. Any credit claimed, but not used, may be carried over up to five subsequent taxable years.	N/A (effective January 1, 2019)	
Software or Cybersecurity Employee Tax Credit (68 O.S. §2357.405)	An income tax credit is allowed for individuals employed as qualified software or cybersecurity employees effective for tax years 2020 through 2029. The amount of the credit is either $2,200 or $1,800, depending upon the employee's level of education and is available for no more than seven years.	N/A (effective January 1, 2020)	
Small Business Guaranty Fee Credit (68 O.S. §2370.1)	Any financial institution, subject to the “in lieu” tax, is entitled to claim as a credit the amount of the guaranty fees the financial institution pays to the SBA under certain SBA loan programs. Any credit allowed, but not used, may be carried over for a period of five years.	$651,000	27
Agricultural Commodity Processing Facilities (68 O.S. §2358)	An exclusion from taxable income, in the amount of 15% of the investment for new or expanded agricultural commodity processing facilities, is allowed.	Estimate is not available. This exemption is commingled with several others on Oklahoma income tax form 511; therefore, the amount of income exempted under this expenditure item cannot be estimated.	
Safety Pays OSHA Consultation Service Exemption (68 O.S. §2358)	An employer that utilizes the Safety Pays OSHA Consultation Service provided by the Oklahoma Department of Labor is entitled to a $1,000 exemption for the tax year the service is utilized.	Estimate is not available. This exemption is commingled with several others on Oklahoma income tax form 511; therefore, the amount of income exempted under this expenditure item cannot be estimated.	
Tickets to National Basketball Association and National Hockey League Games Sales Tax Exemption(68 O.S. §1356)	Sales or gifts of tickets to National Basketball Association or National Hockey League Games.	Not shown to avoid disclosure of information about specific taxpayers.	

Oklahoma Incentive Evaluation Commission
Additional Incentives for Possible Evaluation

Incentive	Incentive Description	$ Estimate	Returns Estimate
Admission to Professional Sporting Events Sales Tax Exemption (68 O.S. §1356)	Admissions to professional sporting events involving ice hockey baseball, basketball, football or arena football, or soccer.	$773,000	3
Oil or Chemical Drums Sales Tax Exemption (68 O.S. §1357)	Sales of returnable oil and chemical drums to any person not in the business of reselling returnable oil drums.	N/A	
Railroad Track Spikes Sales Tax Exemption (68 O.S. §1357)	Sales of railroad track spikes manufactured and sold for use in this state.	N/A	
Motion Picture and Television Production Companies Sales Tax Exemption (68 O.S. §1357)	Sales of property or services to a motion picture or television production company to be used or consumed in connection with an eligible production.	$763,000	2
Electricity Used in Oil De-watering Projects Sales Tax Exemption (68 O.S. §1357)	Electricity used by an oil and gas operator for reservoir dewatering projects.	N/A	
Enhanced Recovery Methods Sales Tax Exemption (68 O.S. §1357)	Sales of electricity that are used in enhanced recovery methods of oil production.	N/A	
Web Search Portals Sales Tax Exemption (68 O.S. §1357)	Sales of goods, wares, merchandise, tangible personal property, machinery and equipment to a web search portal located in this state.	N/A	
Rolling Stock Sales Tax Exemption (68 O.S. §1357)	Exempts on or after July 1, 2019, and prior to July 1, 2024, sales or leases16 of rolling stock–locomotives, autocars, and railroad cars when sold or leased by the manufacturer.	Not shown to avoid disclosure of information about specific taxpayers.	
Precious Metals Sales Tax Exemption (68 O.S. §1357)	Sales of gold, silver, platinum, palladium or other bullion items such as coins and bars and legal tender of any nation, which legal tender is sold according to its value as precious metal or as an investment.	N/A	
Tourism Development Act (68 O.S. § 2391 et. seq.) *Note: Per Department of Commerce, this session may see changes to this program.*	Companies that develop new or renovated tourism attraction properties that attract at least 25% of its visitors from out-of-state, have development costs greater than $500,000, operate on a regular basis, do not negatively impact employment in the state, and have significant positive economic impacts, may receive a state sales tax credit for up to 10 years. The maximum credit is capped at: • 10% of the approved project costs for tourism attraction projects with approved costs of between $500,000 and $1 million; or • 25% of the approved project costs for tourism attraction projects with approved costs greater than $1 million. However, the sales tax credit must be revenue neutral to the state and may be lower than the maximum credit.	$212,470 (2020) $22,782 (2021)	5 entities have qualified, but only 3 have opened and are receiving the credit.
Oklahoma Enterprise Zone Act (62 O.S. § 690.1 et. Seq.)	Enterprise Zones are designated by the State and are located in disadvantaged counties, cities or portions of cities. Businesses locating in an Enterprise Zone are eligible to receive double the Investment/New Jobs Tax Credit. Additionally, companies obtaining ad valorem exemptions from local taxing entities may be exempted for up to six years, rather than five. Small Linked Deposit Loans may be for longer terms.	N/A	N/A

Oklahoma Incentive Evaluation Commission
Incentives Initially Exempt from Evaluation

Program Name	Program Administrator	Program Type	Citation	Estimated Incentive Cost	Industry	Sunset	Incentive Description
Alternative Fuel Vehicle (AFV) Loans	Oklahoma Department of Commerce	Loan/Loan Participation	??	??	Renewable Energy	None Found	Loan funds are available for privately held Oklahoma companies operating a fleet of three or more vehicles who wish to convert their fleet vehicles to alternative fuel or towards the incremental cost of purchasing new vehicles that are dedicated alternative fuel vehicles.
Credit Enhancement Reserve Fund	Oklahoma Development Finance Authorities	Loan guarantee	62 O.S. 695.9	??	Public	None Found	The Oklahoma Development Finance Authority may use the Credit Enhancement Reserve Fund in order to obtain favorable financing terms for the issuance of obligations authorized by Section 3654 of this title. The commitment from the Credit Enhancement Reserve Fund for any such obligations shall not exceed $10 million.
Finance Authority Programs	Oklahoma Finance Authority	Other	74 O.S. §§ 851 and 5062.11	??	Infrastructure	None Found	Income derived from bonds issued by the Oklahoma Development Finance Authority is exempt from income tax.
Biofuels Tax Exemption	Oklahoma Tax Commission	Tax exemption	68 O.S. §500.19	N/A	Renewable Energy	None Found	An individual who produces biofuels or biodiesel from feedstock grown on property and used in a vehicle owned by the same individual is exempt from the state motor fuel excise tax.
Commercial Space Industry Credit	Oklahoma Tax Commission	Tax credit	68 O.S. §2357.13	N/A	Aerospace	Repealed effective Jan 1 2014	An income tax credit is allowed for investments in qualified commercial space industry projects. The credit is 5% of the eligible capital costs. Any credit allowed but not used may be carried over for a period of 4 years. This credit has been repealed effective January 1 2014.
Rural and Affordable Housing Linked Deposit Program	Oklahoma State Treasurer	Loan/Loan Participation	62 O.S. 2003 Supp., §§ 91.1 et seq	??	Residential	None Found	The Rural and Affordable Housing Linked Deposit Program provides low-interest loans of up to $2 million each to qualified housing developers to construct single-family and multi-family housing in rural Oklahoma and in qualifying areas of urban centers.
Small Business Linked Deposit Program	Oklahoma State Treasurer	Preferential rate	62 O.S. § 88.1A	??	Small Business	None Found	Provides low-interest certificates of deposit to financial institutions to provide lending capital to eligible small businesses and certified industrial parks which will directly create new jobs or save existing jobs.
Oklahoma Intern Partnerships	OCAST	Grant/ Reimbursable	74 O.S., Section 5060.19 AND 74 O.S., Section 5060.28	$400,000 (FY2021 Business Plan)	??	??	The purpose of this project funding shall be to improve the State's R&D base by encouraging greater numbers of undergraduate students to prepare for careers in and related to scientific and technical fields through the support of undergraduate student and undergraduate teaching faculty internships in R&D facilities

Oklahoma Incentive Evaluation Commission
Incentives Initially Exempt from Evaluation

Program Name	Program Administrator	Program Type	Citation	Estimated Incentive Cost	Industry	Sunset	Incentive Description
Oklahoma Plant Science Research	OCAST	Grant/ Reimbursable	74 O.S. 5060.53 and O.S. 5060.54	$733,000 (FY2021 Business Plan)	??	??	Assist in the accelerated development of technology in the State by supporting applied plant science research activities in existing and emerging technical areas in which the results have: (1) a high probability of leading to commercially successful products, processes or services within a reasonable period of time; and, (2) a significant potential for stimulating economic growth within the State of Oklahoma
Recycling, Reuse And Source Reduction Incentive Act	Oklahoma Department of Environmental Quality	Tax credit	27A O.S. §2-11-303	N/A	Recycling	Repealed effective January 1, 2014	Any person making a capital investment in buildings, fixtures and/or equipment (collectively known as the "facility") and their installation for the purpose of recycling, reuse, or source reduction of hazardous waste and the storage of such waste immediately prior to recycling or reuse may be entitled to an income tax credit of twenty percent of the amount actually invested in the facility and its installation in accordance with these rules, not to exceed a maximum of $50,000. (Additionally, tax credits received under the RRSRIA cannot exceed a total of $50,000 during a period of any three (3) consecutive tax years.) Upon evaluation by the Department of an application and a determination that the intent of the Recycling, Reuse, and Source Reduction Incentive Act has been met, the Department will issue a certificate to the Oklahoma Tax Commission specifying the capital investment expense eligible for the tax credit and any limitations.
Income Tax Credit For Investment In Oklahoma Producer-owned agriculture processing	Oklahoma Tax Commission	Tax Credit	68 O.S. § 2357.25	N/A	Agriculture	January 1, 2010	An income tax credit is allowed for Oklahoma agricultural producers who invents in Oklahoma producer-owned agricultural processing cooperatives, ventures or marketing associations. This credit is for tax years ending on or before December 31, 2009; however, any unused credit may be carried over for a period of 6 years.
Research and Development New Jobs Credit	Oklahoma Tax Commission	Tax credit	68 O.S. §54006	N/A	Various	Repealed January 1, 2014	Repealed
Biofuels Construction and Permitting Assistance	Oklahoma Department of Environmental Quality	Other	??	??	Renewable Energy	??	The Oklahoma DEQ provides technical and regulatory assistance to small businesses that need permits to construct and operate biodiesel and ethanol production.
Idle Reduction Weight Exemption	Oklahoma Department of Commerce	Preferential rate	47 O.S. § 14-109	??	Commercial/ Industrial Vehicles	None Found	Any vehicle equipped with idle reduction technology may exceed the state's gross vehicle weight limits by up to 400 pounds to compensate for the additional weight of the added idle reduction technology. The additional weight may not exceed the actual certified weight of the idle reduction unit.

Oklahoma Incentive Evaluation Commission
Incentives Initially Exempt from Evaluation

Program Name	Program Administrator	Program Type	Citation	Estimated Incentive Cost	Industry	Sunset	Incentive Description
Private Activity Bond Allocation	Oklahoma Department of Commerce	Other	62 O.S. § 695.23	??	Various	None Found	Private Activity Bonds that render interest payments that are federally tax-exempt, in accordance with the Internal Revenue Code, must receive an allocation from the State Bond Advisor's Office. Public Issuers in Oklahoma may issue Private Activity Bonds up to a federally-established volume cap each year. Generally, allocations are on a first-come, first-served basis, with some size limitation.
Brownfields	Oklahoma Department of Environmental Quality	Loans/ Subgrants	27A O.S. § 2-15-101	$1.9 million a few years ago; Jon will ask for an update	Manufacturing	None Found	To assist in the remediation of property that was polluted/contaminated and return it to publis use.
Small Business Administration (SBA) Guarantee Fee Tax Credit	Oklahoma Tax Commission	Tax credit	68 O.S. 2357.30	N/A	Small Business	§68-2357.30. Repealed by Laws 2013, c. 363, § 9, eff. Jan. 1, 2014. 692	A Small Business Guaranty Fee Credit that was established by a small business in a prior year but not used due to the limitations may be carried over. The unused credit may be carried over for a period not to exceed five years. The credit shall only be claimed against the tax liability resulting from income generated by the small business.
Gas Usage Tax Credit for Manufacturing	Oklahoma Tax Commission	Tax credit	68 O.S. §2357	N/A	Manufacturing	Repealed January 1, 2014	An income tax credit was allowed for gas used in the manufacturing process. This credit was available to Oklahoma manufacturers who use or consume natural or casinghead gas (with certain limitations) in their manufacturing establishment.
Cooperative Marketing Loan	Oklahoma Department of Agriculture, Food, & Forestry	Loan/Loan Participation	2 O.S. 5-3.2	??	Agriculture	None Found	Monies from this loan may be used by a group of individuals or an individual on behalf of a group to organize a cooperative for the purpose of marketing a product or to formulate or implement a marketing plan if the cooperative is already in place. The principals in the organization should be individuals rather than a previously existing corporation and those individuals must have some type of cooperative agreement between themselves that will ensure proper accountability for the proposed plan. Individuals are encouraged to seek marketing partners within the state of Oklahoma.
Farm Diversification Grant	Oklahoma Department of Agriculture, Food, & Forestry	Grant	2 O.S. 5-3.2	??	Agriculture	None Found	Grants are available to anyone who is currently involved in farming, ranching or agritourism and would like to diversify their family farming operation or agritourism venture. Projects must be for non-traditional crops or livestock, on-farm processing of agricultural commodities or agritourism ventures.

Oklahoma Incentive Evaluation Commission
Incentives Initially Exempt from Evaluation

Program Name	Program Administrator	Program Type	Citation	Estimated Incentive Cost	Industry	Sunset	Incentive Description
Swine and Poultry Producers	Oklahoma Tax Commission	Tax Deduction	68 O.S. §2358	Not available; commingled with several others on tax form	Agriculture	None Found	Individuals who are swine or poultry producers may deduct depreciation on an accelerated basis for new construction or expansion costs. The same depreciation method elected for Federal purposes will be used, except the assets will be deemed to have a 7-year life.
Marketing and Utilization Loan	Oklahoma Department of Agriculture, Food, & Forestry	Loan/Loan Participation	2 O.S. §5-3.1	??	Various	None Found	A marketing loan is to be used for product development and/or implementation of a sound marketing plan for Oklahoma agricultural products and by-products. The products should be new to the particular area targeted for the marketing promotion or should be an expansion of a use or uses of existing products.
Specialty Crop Grant	Oklahoma Department of Agriculture, Food, & Forestry	Grant	7 U.S.C. 1621	??	Agriculture	None Found	To be eligible for this grant, projects must solely enhance the competitiveness of specialty crops in either domestic or foreign markets and must provide a benefit to more than just the applicant. Specialty crops are defined as fruits, vegetables, tree nuts, dried fruits, horticulture, and nursery crops (including floriculture). Projects will be evaluated on how well they enhance the competitiveness of Oklahoma's specialty crops, soundness and quality of the project plan, measureable outcomes and return on investment.
Credit for Manufacturers of Advanced Small Wind Turbines	Oklahoma Tax Commission	Tax credit	68 O.S. §2357.32B	Less than $1,000 (1 return)	Renewable Energy	July 1, 2012	A transferable income tax credit is allowed for Oklahoma manufacturers of advanced small wind turbine products, including rotor blades and alternators. The credit is based on the square footage of roto-swept area of advanced small wind turbines manufactured in this state. This credit is for tax years ending on or before December 31, 2012; however, any unused credit may be carried over for a period of 10 years.
Aircraft Maintenance or Manufacturing Facility Use Tax Refund	Oklahoma Tax Commission	Tax refund or rebate	68 O.S. §1357	N/A	Aerospace	None Found	Defined as any new or expanded business which adds at least 250 new full-time-equivalent employees, as certified by the Employment Security Commission. In order to quality for the exemption, the construction cost of the new or expanded facility must exceed $5,000,000.
Aircraft Repairs and Modifications	Oklahoma Tax Commission	Tax exemption	68 O.S. § 1357 [28]	$2,602,000 (OU/OSU Group)	Aerospace	None found	Sales tax does not apply to sales of aircraft engine repairs, modification, and replacement parts, sales of aircraft frame repairs and modification, aircraft interior modification, and paint or sales of services employed in the repair, modification and replacement of parts of aircraft engines, aircraft frame and interior repair and modification, and paint.

Oklahoma Incentive Evaluation Commission
Incentives Initially Exempt from Evaluation

Program Name	Program Administrator	Program Type	Citation	Estimated Incentive Cost	Industry	Sunset	Incentive Description
Computer Services / Data Processing / Telecommunications Equipment Tax Refund	Oklahoma Tax Commission	Tax exemption	68 O.S. 54004	N/A	Infotech	None Found	Oklahoma offers a sales tax refund on the purchase of computers, data processing equipment, related peripherals, telegraph or telecommunications services, and equipment. The company must be a new or expanding business, an addition of 10 new full time employees with an average salary of $35,000, 50% of annual gross revenues must result from sales to out-of-state buyers but may include the federal government, and 75% of annual gross income results from computer services, data processing activities, or research and development activities.
Telecommunications Sales Tax Exemption	Oklahoma Tax Commission	Tax exemption	68 O.S. §1354 and 1357 [18] [26]	N/A	Telecom	None Found	Sales tax exemptions apply to interstate 1-800, WATS, and interstate private-line business telecommunication services, and to cell phones sold to a vendor who transfers the equipment as part of an inducement to a consumer to contract for wireless telecommunications.
Ethanol Sales Tax Exemption	Oklahoma Tax Commission	Tax exemption	68 O.S. 500.4 and 68 O.S. 1359	N/A	Biofuel	None Found	The portion of ethanol sold and blended with motor fuel is exempt from sales tax.

State of Oklahoma
Incentive Evaluation Commission

2021 Incentive Guide

March 22, 2021

Draft – Commission Working Papers

Table of Contents

Capital Gain Deduction

Intent	Encourage investment in Oklahoma-based companies and capital
Start Date	January 1, 2006
End Date	N/A
Administered by	Tax Commission
Characteristics	☐ Refundable ☐ Transferrable ☐ Carry-Forward ☐ Capped
Financial Impact	$127,493,000 / 19,078 returns (per 2019-2020 OTC Tax Expenditure Report)
2017 Review Findings and Recommendations	Overall Recommendation: Repeal Key Findings: 1. The deduction was a significant net cost to the state with a total of $465 million in foregone tax revenue from 2010 to 2014, while creating an estimated $9 million in additional tax revenue over the same period 2. Individuals reporting $200,000 or more in income account for the majority of deductions Other Recommendations: 1. Target the incentive to a specific industry 2. Require gains to be re-invested in Oklahoma 3. Improve data aggregation
Changes Following 2017 Review	None
2021 Criteria for Evaluation	1. Number of qualified realized capital gains 2. Employment/capital/payroll associated with realized capital gains 3. Change in realized capital gains before/after the deduction 4. State return on investment

Statute Synopsis - §68-2358

Corporations, estates, trusts and individuals shall be allowed a deduction from Oklahoma taxable income for the amount of qualifying gains receiving capital treatment earned by the corporation, estate, trust or individual during the taxable year and included in the federal taxable income of such corporation, estate, trust or individual.

Qualifying gains include net capital gains resulting from:

- The sale of tangible personal property located in Oklahoma and owned directly or indirectly by the taxpayer for at least five years prior to the sale
- The sale of an ownership interest in an Oklahoma company, limited liability company, or partnership if such stock or ownership has been directly or indirectly owned by the taxpayer for at least three years prior to the sale
- The sale of real property, tangible personal property or intangible personal property located within Oklahoma as part of the sale of all or substantially all of the assets of an Oklahoma company, limited liability company, or partnership if such property has been owned directly or indirectly owned by the taxpayer for at least three years prior to the sale

Preliminary Benchmarking

Arkansas Capital Gains Tax Reduction

Arkansas exempts 50 percent of qualified net capital gains exceeding $10 million resulting from the sale of real property located in Arkansas and stock in companies with a capitalization of less than $100 million. Stock must be held for at least 5 years to qualify for the 50 percent deduction while stock held for least 10 years qualify for a 100 percent deduction. Net capital gains from venture capital investments in entrepreneurial enterprises doing business in Arkansas are 100 percent exempt if held for at least 5 years.

Colorado Capital Gains Subtraction

Colorado offers a full deduction of up to $100,000 of qualified net capital gains received by any individual, firm, corporation, partnership, LLC, estate, or trust that makes a sale of real or tangible property regardless of the property's location. Qualifying real or tangible property must be held for at least 5 consecutive years. The sale of stocks or other financial instruments are not eligible for the deduction.

Idaho Capital Gains Deduction

Idaho provides a 60 percent deduction of net capital gains earned from the sale of real and tangible property. Eligible real property must be located in Idaho. The sale of stocks or other financial instruments are not eligible for the deduction.

Iowa Capital Gain Deduction

Net capital gains earned from the sale of real property or a business qualifies for a full deduction if either are held for at least 10 years. Taxpayers receiving greater than 50 percent of their income from farming and ranching are eligible for a full deduction of net capital gains from the sale of cattle, horses, and breeding livestock that have been held for at least 24 months and other livestock or timber held for at least 12 months. The sale of bonds and stocks qualify only if it is a sale of employer securities of an Iowa corporation to an Iowa employee stock ownership plan.

Mississippi Capital Gain Tax Exemption

Mississippi provides a full deduction of net capital gains earned from the sale of authorized shares in financial institutions located in Mississippi that have been held for more than 1 year. Other exemptions include gains on corporations or partnership interests in corporations located in Mississippi held for more than 1 year. Real and tangible property do not qualify for an exemption.

Montana Capital Gain Tax Credit

Montana offers a tax credit equal to 2 percent of the net capital gain shown on the Montana income tax return, reducing the 4 percent tax liability by half. All real and tangible property as well as intangible assets qualify for this deduction, regardless of location.

South Carolina Capital Gains Deduction

South Carolina provides individuals, estates, and trusts a 44 percent deduction of net capital gains. All real and tangible property as well as intangible assets qualify for this deduction, regardless of location.

Utah Capital Gain Tax Credit

Utah offers a tax credit equal to 5 percent of short or long-term net capital gains. Real property, regardless of location, and stocks issued by a qualified Utah small business corporation are both eligible capital gains for this credit. At least 70 percent of the proceeds of the capital gain transaction must be used to purchase qualifying stock in a Utah small business corporation within 12 months of the transaction.

Virginia Long-Term Capital Gains Tax Subtraction
Virginia allows a subtraction of income attributable to investment in a technology firm that has its principal facility located in Virginia and earned less than $3 million in annual revenues prior to investment.

Wisconsin Capital Gains Deduction
Wisconsin allows a 30 percent deduction of the net capital gains earned from the sale of assets held for more than one year. Net capital gains from the stock of a small business, regardless of location, or an investment in a qualified Wisconsin business also qualify. The deduction increases to 60 percent for net long-term capital gains earned from the sale of farm assets.

Home Office Tax Credit

Intent	Attract insurance industry jobs to Oklahoma
Start Date	November 1, 1987
End Date	None
Administered by	Oklahoma Insurance Department
Characteristics	☐ Refundable ☐ Transferrable ☐ Carry-Forward ☐ Capped
Financial Impact	$20.9 million in 2015 (per 2017 evaluation)
2017 Review Findings and Recommendations	Overall Recommendation: Reconfigure Key Findings: 1. Insurance industry employment declined 4.2 percent from 2001 to 2015, despite the credit 2. Program benefits show little connection to employment growth. Program costs increased 43 percent from 2009 to 2015 while the number of employees reported by qualifying firms increased just 11 percent. 3. No economic impact could be attributed to the program due to its lack of connection to job growth Other Recommendations: 1. Reconfigure the program to better relate to job growth 2. Collect payroll data from companies receiving credits to improve future evaluations
Changes Following 2017 Review	None
2021 Evaluation Criteria	1. Change in employment for eligible insurers before/after credit 2. Distribution within the categories of number of full-time employees claimed 3. Change in payroll for eligible insurers before/after credit 4. Average wage for eligible insurers before/after credit Change in employment for industry versus other states without credit

Statute Synopsis - §36-625.1

Insurers establishing home offices in the state are eligible for tax credits equal to the following percentage of total premium tax due, net of a 47 percent apportionment to the Oklahoma Police Pension and Retirement Fund and Law Enforcement Retirement Fund.

Full-time Employees	Foreign/Alien Insurers	Domestic Insurers
201 to 299	15%	-
301 to 399	25%	-
401 to 499	35%	35%
500 or more	50%	50%

Preliminary Benchmarking

Arkansas Salaries Credit Allowance (“Home Office Credit”)

Arkansas provides insurers a credit against its 2.5 percent premium tax equal to the noncommissioned salaries and wages of the insurer’s Arkansas based employees connected to its insurance operations. Eligible employees must be employed for at least six months in the facilities for the salaries and wages to qualify for the credit. Each insurer is eligible to receive a maximum of $18 million annually and may not reduce its premium tax liability by more than 80 percent in any given year.

Colorado Regional Home Office Rate Reduction

Colorado allows insurers to reduce their 2 percent premium tax liability by 50 percent if they maintain a “home office” or “regional home office” in Colorado. Insurers can qualify for a “home office” or “regional home office” if its Colorado office substantially performs actuarial, medical, legal, and other operations functions in three or more states or maintains significant direct insurance operations in Colorado critical to their in-state business, respectively.

Nevada Home Office Premium Tax Credit

Domestic or foreign insurers which maintain a home office or regional home office in the state of Nevada are entitled to a premium tax credit. The credit is equal to 50 percent of premium tax and the full amount of ad valorem taxes paid by the insurer during the calendar year. The aggregate amount of credits provided to all insurers cannot exceed $5 million.

North Dakota Examination Fees and Home Office Tax Credit

Insurers may take a tax credit equal to the examination fees paid to the North Dakota Department of Insurance, and a credit for ad valorem taxes paid by the insurer during the calendar year.

South Dakota Regional Home Office Tax Credit

South Dakota allows insurers to reduce their 2.5 percent premium tax liability by 50 percent or an amount equal to ad valorem taxes or payments in lieu of taxes paid by such insurer. The maximum benefit provided from this program is 30 percent of the amount of the tax otherwise payable without the application of the credit.

Quality Jobs Program	
Intent	To support establishments of certain industries that hold promise of significant development of the state's economy by providing incentives connected to jobs created in the state
Start Date	July 1, 1993
End Date	None
Administered by	Department of Commerce
Characteristics	☐ Refundable ☐ Transferrable ☐ Carry-Forward ☐ Capped
Financial Impact	$53,585,358 in 2020 (per Oklahoma Tax Commission)
2017 Review Findings and Recommendations	Overall Recommendation: Retain, with modifications Key Findings: 1. The program is a net benefit to the state 2. Effective cost controls are in place 3. The program's cost per job was about $13,000 4. Industries targeted by the program grew more slowly than the state as a whole Other Recommendations: 1. Require companies to file information for payment each quarter 2. Establish a regular review of eligible industries to better target the program 3. Maintain a centralized database of information collected by the Department of Commerce and the Tax Commission
Changes Following 2017 Review	1. Five percent of quarterly incentive payments are now deposited in the Oklahoma Quick Action Closing Fund 2. Participants are not required to meet payroll requirements to receive rebate payments from April 1, 2020 through June 30, 2021
2021 Evaluation Criteria	1. Change in jobs associated with the cash rebates 2. Change in payroll associated with the cash rebates 3. Ability of program administrative processes to establish the factual basis for claims related to hours, wages, and benefits 4. Change in capital investment associated with the cash rebates 5. "But-for" test – change in jobs/payroll/capital associated with the cash rebates versus state growth rates as a whole 6. Change in jobs/payroll/capital in the qualifying industries versus state industries as a whole 7. State return on investment

Statute Synopsis - §68-3601

The program provides qualifying enrolled companies quarterly cash rebates, of up to five percent of newly created taxable payroll, for 10 years. In order to qualify for the rebates, certain requirements must be met:

Basic Industry All applicants must be within a qualifying basic industry in order to receive benefits. Regardless of a company's overall North American Industry Classification System number (NAICS No.), the activities and functions of new direct jobs[1] must be within a qualifying basic industry.[2]

New Payroll Threshold A qualified company must achieve $2.5 million in new annualized payroll, for new full-time employees, during any four consecutive quarters in its first 12 quarters in the program. If the payroll threshold is not achieved, payments cease. A lower payroll threshold of $1.5 million is available for certain food processing and research and development projects or to firms that locate on certain former military bases. No payroll threshold is enforced for businesses locating within 10 acres of Superfund sites or a site on the National Priorities List. Sites may still qualify if not on the list, if they have been formally deferred to the State, or if they are being remediated pursuant to a clean–up plan approved by the Department of Environmental Quality.

Health Insurance Coverage All businesses must offer basic health insurance coverage to new employees for which employees pay no more than 50 percent of the premium cost. Employees must be allowed access to the coverage within 180 days of employment.

Minimum Wage Requirement Establishments are required to pay new direct jobs 110 percent of the average county wage, including health care premiums paid by the applicant, or 100 percent of the average county wage, excluding health care premiums paid by the applicant. The maximum required in any county, regardless of the average county wage, is $35,376. Applicants located in opportunity zones, designated by the Department of Commerce, are exempted from the requirement. While a company has three years to ramp up to the $2.5 million payroll threshold, they must meet the average wage requirement quarter by quarter. New jobs and wages are tracked beginning with the first quarter after the company enters the program.[3]

Payments are based on gross payroll of new jobs multiplied by a net benefit rate calculated by the Department of Commerce as estimated direct and indirect state benefits in the form of additional tax revenue less direct and indirect state costs (public education, transportation, safety, etc) resulting from new jobs, as a percentage of gross payroll for the new jobs. It is generally capped at 5 percent but may be up to 6 percent for establishments that have been awarded a Department of Defense contract, certain expansions, and establishments where 10 percent of payroll is US military veterans.

Establishments are required to repay all incentive payments received under the Oklahoma Quality Jobs Program Act if the establishment is determined by the Oklahoma Tax Commission to no longer have business operations in the state within three years from the beginning of the calendar quarter for which the first incentive payment claim is filed.

[1] New Direct Job is full-time-equivalent employment in Oklahoma which did not exist in this state prior to the date of application approval
[2] See Appendix A for list of basic industries
[3] https://www.okcommerce.gov/wp-content/uploads/Quality-Jobs-Guidelines.pdf

Preliminary Benchmarking

Louisiana Quality Jobs

Louisiana provides qualified businesses up to a 6 percent cash rebate on annual gross payroll for new full-time jobs for an initial five-year term with an option for a five-year renewal; and either a state sales/use tax rebate on capital expenditures or a 1.5 percent project facility expense rebate on qualified capital investments. Eligible businesses must have more than 50 employees and have created at least 15 new full-time jobs meeting a total payroll requirement of at least $675,000. Each new employee must be paid at least $18 per hour and be provided a basic healthcare plan that is compliant with federal healthcare requirements.

Missouri Works

Qualified businesses may retain 100 percent of the State payroll withholding tax or are given a tax credit of 6 to 7 percent of new payroll. Businesses must create at least 10 new full-time jobs, or at least 2 if located in rural area or other designated area, and pay new employees at least 90 percent of the County average wage to receive the benefits of this program. Employers must also provide health insurance that is at least 50 percent covered by the business.

Advantage Arkansas Income Tax Credit

This program offers tax credits to qualified businesses ranging from one to four percent of payroll for a period of five years. The percentage of payroll varies based on the location of the business within Arkansas. Businesses must meet a minimum total payroll threshold of $50,000 new employees, depending on the county, and the average hourly wage must be at least $12.50. An additional benefit of one percent of payroll can be earned if the average wages of new employees exceed 125 percent of the lesser of the state or county average wage.

Colorado Job Growth Incentive Tax Credit

Colorado provides employers a State income tax credit equal to 50 percent of the FICA tax per new job added. Credits can be claimed for up to 8 consecutive years and eligible employers must create at least 20 net new full-time jobs in Colorado during this period with an average yearly wage of at least 100 percent of the county average wage rate based on the employer’s location.

Kansas Promoting Employment Across Kansas (PEAK) Program

Kansas provides businesses up to a 95 percent refund of the payroll withholding tax of qualified new jobs created in Kansas for up to seven years. Eligible employers must create at least 10 new jobs, if located in a metropolitan area, or at least 5 new jobs, if located in a non-metropolitan area, within a 2-year period. New employee wages must be greater than or equal to the county’s median wage and the employer must provide a healthcare plan and pay at least 50 percent of the premium. Businesses that create at least 100 new jobs within 2 years may be eligible to receive benefits for up to 10 years.

21st Century Quality Jobs	
Intent	To attract growth industries to Oklahoma by rewarding businesses that have a highly skilled, knowledge-based workforce
Start Date	November 1, 2009
End Date	None
Administered by	Department of Commerce
Characteristics	☐ Refundable ☐ Transferrable ☐ Carry-Forward ☐ Capped
Financial Impact	$8.9 million in 2016 (per 2017 evaluation)
2017 Review Findings and Recommendations	Overall Recommendation: Retain, with modifications Key Findings: 1. The program was a net benefit to the state 2. Industries targeted by the program grew at a rate exceeding or matching the growth of the state as a whole 3. Effective cost controls are in place Recommendations: 1. Require companies to file information for payment each quarter 2. Establish regular review of targeted industries 3. Maintain a centralized database of information collected by the Department of Commerce and the Oklahoma Tax Commission
Changes Following 2017 Review	1. Five percent of quarterly incentive payments are now deposited into the Oklahoma Quick Action Closing Fund
2021 Evaluation Criteria	1. Change in jobs associated with the cash rebates 2. Change in payroll associated with the cash rebates 3. Ability of program administrative processes to establish the factual basis for claims related to hours, wages, and benefits 4. Change in capital investment associated with the cash rebates 5. Number/amount of incentives by industry 6. But-for-test – change in jobs/payroll/capital associated with the cash rebates versus state growth rates as a whole 7. Change in jobs/payroll/capital in the qualifying industries versus state industries as a whole 8. State return on investment

Statute Synopsis - §68-3911-3920
Qualifying companies may be eligible for up to 10 percent of the taxable payroll of these new jobs, to be paid in cash on a quarterly basis for up to 10 years. To qualify, the following requirements must be met: **Basic Industry** All applicants must be within a qualifying basic industry[4] to receive benefits. The list of qualifying industries includes all those of the regular Quality Jobs program (with the exception of Oil & Gas Companies), and a list of industries added for 21st Century Quality Jobs only. Applicants in some industries are required to have and maintain an out-of-state sales threshold of 5 percent. **New Job Creation** The applicant must create a minimum of 10 New Direct Jobs within the qualifying industry activity.[5] The company has up to 3 years to achieve this level of jobs to qualify for a full 10 years of program participation. Should the company not be able to add the 10 new jobs by the end of the third year, they are dismissed from the program. **Health Insurance Coverage** Companies must offer new employees a basic health insurance plan within 12 months of employment for which the employees pay no more than 50 percent of the premium. **Average Wage Requirement** Employees must be paid an annualized wage greater than or equal to 300 percent of the average of Oklahoma County wage for the county in which the applicant is located; provided, no average wage requirement shall exceed the state index wage, currently $104,954. Employees must be paid at this annualized wage on a quarter by quarter basis throughout the program for the company to receive benefit payments.[6] Payments are based on gross payroll of new jobs multiplied by a net benefit rate calculated by the Department of Commerce as estimated direct and indirect state benefits in the form of additional tax revenue less direct and indirect state costs (public education, transportation, safety, etc) resulting from new jobs, as a percentage of gross payroll for the new jobs. The initial net benefit rate is capped at 7 percent for the first 12 quarters of enrollment in the program, or until 10 new direct jobs are created. Once the establishment creates 10 new direct jobs, the cap increases to 10 percent.
Preliminary Benchmarking
<u>Georgia Quality Jobs Tax Credit</u> Georgia provides qualifying businesses tax credits ranging from $2,500 - $5,000 for each new job added for five years. To qualify, businesses must have created 50 new jobs that pay 10 percent greater than the County average wage over a 24-month period. Once businesses qualify for the program, each qualified new job created over a seven-year period is eligible to receive the tax credit for five years. <u>New Mexico High Wage Jobs Tax Credit</u> New Mexico provides qualifying businesses a tax credit of 8.5 percent of new payroll that has a maximum benefit of $12,750 per new job added. Qualified jobs must pay at least $40,000, depending on the location of the business, and qualified employees must have occupied the job for at least 44 weeks and live in New Mexico before receiving the credit. Qualified employers can claim the credit for each new employee for up to 4 years.

[4] See Appendix B for list of basic industries
[5] New Direct Job is full-time-equivalent employment in Oklahoma which did not exist in this state prior to the date of application approval
[6] https://www.okcommerce.gov/wp-content/uploads/21st-Century-Quality-Jobs-Guidelines.pdf

South Carolina Jobs Tax Credit

South Carolina provides qualifying businesses a tax credit of up to $25,000 per new job for up to five years based on the unemployment rate and per capita income of the county where the business is located. Employers with more than 100 employees must create 10 new jobs annually while employers with less than 100 must create at least 2. Average wages of new jobs must be 2.5 times the lesser of the county or state per capita income.

Small Employer Quality Jobs Program	
Intent	To support the creation of quality jobs in the state, particularly by small businesses, in certain industries
Start Date	January 1, 1998
End Date	None
Administered by	Department of Commerce
Characteristics	☐ Refundable ☐ Transferrable ☐ Carry-Forward ☐ Capped
Financial Impact	$348,770 in 2018 (per Department of Commerce Small Employer Quality Jobs Program 2019 Triennial Report)
2017 Review Findings and Recommendations	Overall Recommendation: Retain, with modifications Key Findings: 1. The program was a net benefit to the state 2. The program's cost per job was about $6,700 3. Effective cost controls are in place 4. Industries targeted by the program grew more slowly than the state as a whole Other Recommendations: 1. Require companies to file information for payment each quarter 2. Establish regular review of targeted industries 3. Maintain a centralized database of information collected by the Department of Commerce and the Tax Commission
Changes Following 2017 Review	1. Eligibility size of the applicants increased from 90 or less at the time of application to 500 or less 2. Applicants must create a minimum number of new jobs based on either the size of the community (population) where the company is located (5, 10, or 15) or the percentage increase in the applicant's workforce (5, 7.5, or 10 percent) 3. Out-of-state sales requirement was changed from 75 percent of revenue to 35 percent for the first two years and subsequently 60 percent 4. Five percent of quarterly payments are now deposited into the Oklahoma Quick Action Closing Fund
2021 Evaluation Criteria	1. Change in jobs associated with the cash rebates 2. Change in payroll associated with the cash rebates 3. Change in capital investment associated with the cash rebates 4. But-for-test – change in jobs/payroll/capital associated with the cash rebates versus state growth rates as a whole 5. Change in jobs/payroll/capital in the qualifying industries versus state industries as a whole State return on investment

Statute Synopsis - §68-3901

Provides qualifying enrolled companies quarterly cash rebates, of up to five percent of newly created taxable payroll, for up to 7 years. In order to qualify for the rebates, the company must meet the following requirements:

Basic Industry All applicants must be within a qualifying basic industry in order to receive benefits.[7] Regardless of a company's overall North American Industry Classification System number (NAICS No.), the activities and functions of new direct jobs must be within a qualifying basic industry.

Employment Threshold To be eligible, a company may have no more than 500 employees at the time of application. Based on the population of the city where the project is to be located, the applicant company must increase its workforce by the greater of between 5 and 15 new jobs or 5 to 10 percent. Most companies have 24 months to reach these job creation requirements; however, companies in the fields of Research & Development, Testing Labs, Software Publishing, Computer Systems Design, Data Processing, Hosting, and Related, and Medical & Diagnostic Labs have up to 36 months to create these jobs.

Health Insurance Coverage All businesses must offer basic health insurance coverage to employees that are part of the job creation requirement for which employees pay no more than 50 percent of the premium cost. The company has 12 months to institute this health insurance coverage policy, and employees must be allowed access to the coverage within 12 months of employment.

Wage Requirements The business must pay to the employees included in the application an average of 110 percent of the average county wage where the project is located. The company may elect to include the cost of health benefits paid on behalf of the employee if they so choose, but if doing so, must pay an average of 125 percent of average county wage to employees included in the application. Applicants in certain counties deemed to be economically challenged may qualify at an average wage of 100percent of the county average.

Out-of-State Sales Requirements All companies applying must have or must collect 35 percent of its revenue from out-of-state sales for the first two years of participation and subsequently 60 percent. Warehouses serving as distribution centers may qualify by distributing at least 40 percent of inventory to out-of-state locations and adjustment and collection services establishments must have at least 75 percent of loans to be serviced by out-of-state debtors. A company may also meet this requirement by selling to a buyer who will resell the items to out-of-state buyers for ultimate use, or to the federal government. Research and development companies and testing labs are excused from the out of state sales requirement.[8]

Incentive payments are based on the net benefit rate multiplied by the actual gross taxable payroll of new direct jobs. Establishments cannot receive both Quality Jobs payments and Small Employer Quality Jobs payments.

Payments are based on gross payroll of new jobs multiplied by a net benefit rate calculated by the Department of Commerce as estimated direct and indirect state benefits in the form of additional tax revenue less direct and indirect state costs (public education, transportation, safety, etc.) resulting from new jobs, as a percentage of gross payroll for the new jobs. This rate may vary but is capped at 5 percent. Payments, cumulatively, must not exceed the net benefit to the state, as calculated by the Department of Commerce.

[7] See Appendix C for a list of basic industries
[8] https://www.okcommerce.gov/wp-content/uploads/Small-Employer-Quality-Jobs-Guidelines.pdf

Preliminary Benchmarking

Alabama Full Employment Act of 2011
Alabama offers a one-time tax credit of $1,000 for each new job created by a small business located in Alabama with no more than 50 employees. Qualifying employees must maintain employment for 12 months before receiving the credit and have a wage of $10 per hour or more.

South Carolina Small Business Job Tax Credit
South Carolina offers qualifying small businesses up to $8,000 per year each for each new, full-time job created. Small businesses can receive the credit for up to 5 years and the benefit amount is dependent on location within the state. To qualify, small businesses must have no more than 99 employees worldwide, create an average of 2 new jobs per month, and maintain those jobs throughout the credit period.

Illinois Small Business Job Creation Tax Credit
Illinois offers small businesses up to $5,000 per new employee hired in a calendar year. To receive the credit, a small business must have no more than 50 full-time employees worldwide and each new employee must be retained for at least a year. This program requires that each new employee is paid at least $10 per hour. Over the lifespan of this program, the maximum amount of credits distributed is limited to $75 million.

Kentucky Small Business Tax Credit
Kentucky provides a tax credit between $3,500 and $25,000 to each small business, with no more than 50 employees, that creates at least one new job and invests $5,000 or more in qualifying equipment or technology. Each new job must pay at least 150 percent of the federal minimum wage. Kentucky has a statutory cap of $3 million per year in benefits.

Louisiana Quality Jobs
Louisiana provides small businesses a cash rebate of up to 6 percent of the annual gross payroll of new full-time jobs for an initial five-year term with an option for a five-year renewal. Small businesses must have no more than 50 employees and have created at least 5 new full-time jobs that meet a total payroll requirement of at least $225,000. New employees must be paid at least $18 per hour and be provided a basic healthcare plan that is compliant with federal healthcare requirements. In addition to this cash rebate, the program also offers either a state sales/use tax rebate on capital expenditures or a 1.5 percent project facility expense rebate on qualified capital investments.

Coal Tax Credits	
Intent	Incent the use and production of Oklahoma-mined coal
Start Date	For purchasers of Oklahoma coal: January 1, 1993 For producers of Oklahoma coal: January 1, 2001
End Date	December 31, 2021
Administered by	Tax Commission
Characteristics	☒ Refundable ☒ Transferrable ☒ Carry-Forward ☒ Capped
Financial Impact	$3,202,000 (per 2019-2020 OTC Tax Expenditure Report)
2017 Review Findings and Recommendations	Overall Recommendation: Repeal Key Findings: 1. Coal production in the state has decreased over time 2. Coal industry jobs in the state have decreased over time 3. Average annual pay in the mining industry is consistently higher than the average annual pay across all private industries in the state 4. There is no evidence of increased capital investment associated with the coal tax credits 5. It is difficult to evaluate the importance of the coal tax credits on the long-term outlook for this sector 6. It is not possible to evaluate the state's return on investment due to data limitations Other Recommendations: 1. Reconfigure the program 2. Continue to improve data collection associated with the credits
Changes Following 2017 Review	1. Effective January 1, 2018, program has an annual cap of $5 million. The Tax Commission is to calculate and publish a % by which credits will be reduced if total credits exceed the cap[9] (HB 1034 of 2018) *Note: For tax year 2020, the full amount of the statutory credit is available*
2021 Evaluation Criteria	1. Incentive usage over time (number and value of claims) 2. Change in coal production over time in Oklahoma and relative to other coal-producing states 3. Change in Oklahoma's share of coal production over time 4. Change in number of coal producers/sites over time in Oklahoma and relative to other states 5. Change in number of consumers of Oklahoma coal over time 6. State return on investment

[9] Formula = $5 million divided by the credits claimed in the second preceding year. In the event that total credits authorized exceed $5 million per calendar year, the OTC will permit any excess over $5 million but will factor the excess into the percentage adjustment formula for subsequent years. Credits authorized but not able to be used due to this rule can be carried over until fully used.

Statute Synopsis - § 68-2357.11

Coal tax credits are provided to producers and purchasers of Oklahoma-mined coal.

- **Purchasers:** 68 O.S. § 2357.11 (B) provides a coal credit, for the purchase of Oklahoma-mined coal, to businesses providing water, heat, light or power from coal to the citizens of Oklahoma or to those that burn coal to generate heat, light or power for use in manufacturing operations in Oklahoma. Between January 1, 2007 and December 31, 2021, the credit is equal to $2.85 per ton of Oklahoma-mined coal purchased PLUS an additional $2.15 per ton of Oklahoma-mined coal.

- **Producers:** 68 O.S. § 2357.11 (D) provides a coal credit to businesses primarily engaged in mining, producing or extracting coal in this state. A valid permit issued by the Oklahoma Department of Mines must be held. The credit provided in this paragraph will not be allowed for coal mined, produced or extracted in any month in which the average price of coal is $68 or more per ton, excluding freight charges. Between July 1, 2006 and December 31, 2021, the credit is equal to $5 per ton of coal mined, produced, or extracted in on, under or through a permit in the state.

For both incentives, the amount of the credit allowed is equal to 75 percent of the amount otherwise provided. Any credit earned but not used may be partially refundable.

Preliminary Benchmarking

In addition to Oklahoma, 13 states were found to offer coal-related incentives. While some are targeted at producers of coal, others provide the benefit to the producer/end user of the coal. Further, while the goal of most programs is to increase production/consumption of coal, certain incentives have an environmental component meant to reduce emissions. Other state incentives identified include:

Alabama
The Coal Producers Corporate Income Tax Credit provides $1 per ton of increased production of coal over the previous year's production. *(for producers; incentivizes production generally)*

Arkansas
The Coal Mining Income Tax Credit is offered to coal producers in the amount of $2 per ton of coal mined, produced or extracted on each year. An additional credit of $3 per ton is allowed for each ton of coal mined in Arkansas in excess of 50,000 tons per tax year, if sold to an electric generation plant for less than $40 per ton, excluding freight charges. *(for producers; incentivizes production generally)*

Indiana
Indiana's Coal Gasification Technology Investment Tax Credit is provided for qualified investments in integrated gasification combined cycle (IGCC) power plants. Must be a newly constructed generating facility located in Indiana serving primarily Indiana retail customers. *(for consumers; incentivizes reduced emissions)*

Kentucky
The Commonwealth offers several coal-related incentives, including:

- The Coal Incentive Tax Credit provides $2 per ton of coal used to generate electric power or used as feedstock for an alternative fuel facility. Incentive tons are calculated as current year tons minus tons purchased and used in prior year. *(for consumers)*

- The Clean Coal Incentive Tax Credit provides $2 per ton of coal not already claimed as a credit under the Coal Incentive Tax Credit. *(for consumers)*
- Under the Kentucky Industrial Revitalization Act, investments in the rehabilitation of coal mining and processing (or manufacturing) operations that are in imminent danger of permanently closing or have closed temporarily may qualify for tax credits. Tax incentives are available for up to 10 years. Credit amounts are up to 100 percent of corporate income or limited liability entity tax liability arising from the project. Wage assessment incentives are up to five percent of gross wages of each employee. The employee receives credits for the fees against state income taxes and local occupational taxes so there is no impact on the employee. *(for producers)*
- The Local Government Economic Development Fund provides grants of coal severance and processing tax revenues to coal-producing counties. Program is meant to assist counties in diversifying their local economies beyond coal production and meet other community development needs. *(for local governments)*

Maryland

The Maryland-Mined Coal Tax Credit, available to electricity supplies, public service companies and co-generators that purchase coal mined in MD on or before December 31, 2020, provides $3 per ton of MD-mined coal purchased during the tax year (but cannot exceed the credit amount approved by SDAT). *(for consumers)*

Montana

The State offers two coal-related incentives, including:

- The Mineral and Coal Exploration Incentive Credit can be claimed for certified expenditures of mining exploration activities not to exceed 50 percent of tax liability. *(for producers)*
- The New Underground Coal Severance Tax Exemption provides a reduced coal gross proceeds tax rate of 2.5 percent for new and existing underground mines for the first 10 years of coal production. *(for producers)*

New Mexico

An Advanced Energy Tax Credit is available to coal-based electric generating facilities (new or repowered generating facilities and associated coal gasification facility, if any, that uses coal to generate electricity and that meets certain specifications). *(for consumers)*

North Dakota

The State has four coal-related tax incentives, including:

- The Coal Conversion Facility Privilege Tax Exemption is essentially a payment (privilege tax) in lieu of taxes on the (electrical generating or other coal conversion) facility. The land on which the plant is located remains subject to property tax. *(for consumers)*
- The Coal Gasification Byproducts Sales Tax Exemption is granted for purchasing tangible personal property used to construct or expand a facility in ND to extract or process by products associated with coal gasification. *(for consumers)*
- The Coal Mine Machinery or Equipment Sales Tax Exemption is granted for machinery or equipment used to produce coal from a new mine in ND. The exemption for each new mine is limited to the first $5 million of sales and use tax paid. The exemption extends to replacement machinery or equipment if the capitalized investment in the new mine exceeds $20 million. *(for producers)*
- The Sales Tax Exemption for Coal-Powered Electrical Generating Facilities is granted for purchasing building materials, production equipment and other tangible personal property used in the construction or expansion of coal-powered electrical generating facilities. To qualify, the facility must convert coal in its natural form or beneficiated coal into electrical power and have at least one single electrical generation unit with a capacity of 50,000 kilowatts or more. *(for consumers)*

Ohio
The Qualified Energy Project Tax Exemption provides owners or lessees of renewable, clean coal, advanced nuclear and cogeneration energy projects with an exemption from the public utility tangible personal property tax. *(for consumers; incentivizes reduced emissions)*

Pennsylvania
The Coal Refuse Energy and Reclamation Tax Credit provides tax credits to eligible facilities which generate electricity by using coal refuse for power generation, control acid gases for emission control and use ash produced by the facilities to reclaim mining-affected sites. *(for consumers)*

Virginia
- The Coal Employment and Production Incentive Tax Credit was established in 1986 to encourage power plants to buy coal for electricity generation. The credit is equal to $1 per ton for each ton of coal purchased and consumed. *(for consumers)*
- The Coalfield Employment Enhancement Tax Credit can be used by any coal-related company ("any person who has an economic interest in coal mined in the Commonwealth"); was adopted in 1995 to make VA more competitive in the coal markets. For metallurgical coal mined by underground methods, the credit is between $1 and $2 per ton, based on seam thickness. In addition, producers of coalbed methane are allowed a credit in the amount of $0.01 per million BTUs of coalbed methane produced. *(for consumers and producers)*

Washington
The state offers a Sales and Use Tax Exemption for Purchases of Coal Used in Electric Generation. *(for consumers)*

West Virginia
West Virginia has three coal-related incentives, including:
- The Coal Loading Facilities Tax Credit provides a tax credit to firms that build or construct a new or expanded coal loading facility or revitalize an existing coal loading facility. The credit is equal to 10 percent of the eligible investment. One-tenth of the credit is taken each year for ten consecutive years beginning with the year in which the facility is first placed in service or use in the state. *(for producers)*
- The Energy Intensive Industrial Consumers Revitalization Tax Credit provides a tax credit to coal producers that supply coal to a West Virginia electric utility that provides a special rate to one or more energy intensive industrial consumers of electric power. A total of $20 million is available each year. If the total is not used, annual credit up to a total of $15 million may be carried forward to future years. The amount of credit available to any taxpayer in a calendar year cannot exceed 93 percent of the total annual coal severance tax liability. *(for producers)*
- The Waste Coal Grant Program is a state-funded grant program that provides funding for economic development and infrastructure projects through the collection of severance taxes to counties where an eligible company is involved in extracting and recovering material from a refuse, gob pile or other source waste coal for profit. *(for local governments)*

Ethanol Fuel Retailer Tax Credit	
Intent	Increase the sale of ethanol-blended gasoline in Oklahoma
Start Date	January 1, 2006
End Date	None
Administered by	Oklahoma Tax Commission
Characteristics	☐ Refundable ☐ Transferrable ☐ Carry-Forward ☐ Capped
Financial Impact	$1,176,110 across 32 companies in 2016 (per 2017 evaluation)
2017 Review Findings and Recommendations	Overall Recommendation: Repeal Key Findings: 1. Consumption of ethanol in Oklahoma has increased significantly, while consumption of gasoline has flattened 2. Previously lagging the nation, per capita ethanol consumption in Oklahoma now mirrors the U.S., but its per capita gasoline consumption continues to exceed the national average 3. The return on investment for this program is negative. The net impact to the State is estimated to be -$6.2 million between 2011 and 2015 4. Oklahoma's program is not as robust as other states' incentives 5. The program does not provide specific financial protections – but the State is unlikely to be at risk of significant increases 6. Reporting and administrative issues exist Other Recommendations (if program is retained): 1. Reconfigure the tax credit application process
Changes Following 2017 Review	None identified
2021 Evaluation Criteria	1. Incentive usage over time (number and value of claims) 2. Change in ethanol-blended fuel consumption versus non-blended fuel over time in Oklahoma and relative to other states 3. Change in ethanol-blended fuel as a share of total fuel consumed over time in Oklahoma and relative to other states 4. Change in number/share of fueling stations selling ethanol-blended fuel over time in Oklahoma and relative to other states 5. State return on investment

Statute Synopsis - §68-500.10-1

Retailers who sell fuel blends of gasoline containing up to 15 percent ethanol by volume (E15) are eligible for a motor fuel tax credit of $0.016 per gallon of ethanol blended into gasoline and sold in Oklahoma, as long as the retailer provides a price reduction to the purchaser of the ethanol fuel in the same amount. This incentive is effective unless the federal government mandates the use of reformulated fuel in an area within Oklahoma that is in nonattainment with the National Ambient Air Quality Standards.[10]

Preliminary Benchmarking

Only one state – Oregon – was found to provide an incentive **directly to the consumers** of ethanol-blended fuel (which is effectively who benefits from Oklahoma's program). Under the Oregon Biofuels Use Tax Credit, residents are eligible for an income tax credit of $0.50 per gallon of gasoline blended with at least 85 percent ethanol or diesel blended with at least 99 percent biodiesel purchased for use in an alterative fuel vehicle. Up to $200 can be claimed each tax year for each AFV that is registered in Oregon and owned or leased by the resident. This program expired in December 2012.

Alternatively, five states were identified with tax incentives **promoting the sale of blended fuels by retailers**, including:

<u>Iowa</u>

The Iowa General Assembly has established a goal to replace 25 percent of all petroleum used in gasoline in the state by biofuels by 2020. Four refundable tax credits for biofuel retailers were enacted beginning in 2006 to promote biofuel sales to meet this goal, including:[11]

Tax Credit	Enacted / Sunset	Description
Ethanol Promotion[12]	Jan. 2009/ Jan. 2021	Rate earned by a retailer varies from $0.08 to $0.04. Tax credit rate is a function of the size of the retailer.[13]
E85 Gasoline Promotion[14]	Jan. 2006/ Jan. 2025	Provides a credit for each gallon of E85 sold by a retailer. For 2012-2024, the rate is $0.16 per gallon.
E15 Plus Gasoline Promotion[15]	July 2011/ Jan. 2025	Available to retailers who sell blended gasoline with 15 to 69 percent ethanol. For 2014-2024, the tax credit rate is $0.03 per eligible gallon sold, except June 1-September 15, when the rate is $0.10 per gallon.
Biodiesel Blended Fuel	Jan. 2006/ Jan. 2025	Available to retailers of biodiesel blended at 2 percent or higher. For 2018-2024, the credit is $0.035 per gallon for B5-B10 and $0.055 for B11 or higher; blends lower than B5 are no longer eligible.

[10] The Clean Air Act, last amended in 1990, requires the EPA to set National Ambient Air Quality Standards for six principal pollutants which can be harmful to public health and the environment.

[11] Iowa Department of Revenue, "Iowa's Biofuel Retailers' Tax Credits: Tax Credits Program Evaluation Study" (December 2019).

[12] Only Oklahoma and Iowa offer a tax credit for ethanol blends less than E85. When comparing the credits, the tax credit for a gallon of E10 in Oklahoma is equal to $0.016 and in Iowa the highest credit earned for the same gallon would be $0.008, or half the credit earned in Oklahoma. Oklahoma explicitly requires retailers to pass the entire credit on to consumers but does not have any threshold of sales to be eligible for the credit.

[13] Tax credit rate is determined by the difference between the biofuel threshold percentage and the retailer's biofuel distribution percentage Biofuel distribution percentage is calculated as the overall percentage of pure ethanol plus pure biodiesel gallons sold as compared to total gallons of gasoline (excluding any biodiesel or diesel gallons sold). The required biofuel threshold percentage steadily increases over the life of the tax credit from 6 percent for small retailers and 10 percent for large retailers, in 2009, to 25 percent for all retailers in 2020.

[14] Iowa's E85GC is the only retailer tax credit specifically for E85 fuel gallons.

[15] Iowa is the only state that offers a tax credit explicitly for ethanol blends sales between E15 and E85.

Kansas

Kansas offers a quarterly Renewable Fuel Retailer Tax Incentive to licensed motor fuel dealers for selling and dispensing renewable fuels, including biodiesel. A qualified motor fuel retailer is eligible for up to $0.065 for every gallon of renewable fuel sold and up to $0.03 for every gallon of biodiesel sold, if a required threshold percentage is met. The threshold is determined by calculating the percent of total gasoline sales that is renewable fuel or biodiesel. For renewable fuel, the threshold increases incrementally on an annual basis from 10 percent in 2009 to 25 percent beginning on January 1, 2024. For biodiesel, the threshold increases incrementally on an annual basis from 2 percent in 2009 to 25 percent in 2025.

Montana

Like Iowa and Kansas, Montana also offers a quarterly biodiesel tax refund. A licensed distributor in Montana who pays the special fuel tax on biodiesel may claim a refund equal to $0.02 per gallon of biodiesel sold during the previous quarter if the biodiesel is made entirely from components produced in Montana. Additionally, the owner or operator of a retail motor fuel outlet may claim a refund equal to $0.01 per gallon of biodiesel purchased from a licensed distributor if the biodiesel is made entirely from components produced in the state.

North Dakota

A licensed fuel supplier to who blends biodiesel or renewable diesel fuel may claim an income tax credit of $0.05 per gallon for fuel containing at least 5 percent biodiesel or renewable diesel. Credits are not refundable but may be carried forward for up to five years.

South Carolina

Ethanol retailers selling fuel blends of at least 70 percent ethanol are eligible for a $0.05 incentive per gallon of ethanol blended fuel sold, provided that the fuel is subject to the state motor fuel user fee. Additionally, biodiesel retailers are eligible for a $0.25 incentive per gallon of biodiesel (B100) sold as pure biodiesel or as part of a biodiesel blend, provided that the blend contains at least 2 percent biodiesel (B2). These incentives applied only to fuel sold before July 1, 2012.

In addition to incentives promoting the sale of blended fuel by retailers, several states provide incentives for retailers aimed at **reducing the cost of related infrastructure investments**, including:[16]

Indiana

The Hoosier Homegrown Fuels Blender Pump Program (HHF Program provides grants to increase public fueling infrastructure availability for higher blends of ethanol. Funds are available to eligible applicants for 70 percent to 79 percent of the purchase price of E15 to E85 blender pumps and related hardware. Qualifying dispensers must be available for public use and must dispense higher ethanol blends for a minimum period of five years. The program is not currently accepting applications

Kansas

Kansas offers a tax credit from corporation income tax for installing alternative fueling infrastructure after January 1, 2009. The credit is only available to entities with corporate income tax liability (C corporations). Qualified property must be directly related to the delivery of alternative fuel into the fuel tank of a motor vehicle propelled by such fuel.

[16] State tax credits for biofuel infrastructure investment range from 10 percent (North Dakota) to 40 percent (Kansas) of the cost of construction or equipment for alternative fuel filling stations. All of the income tax credits are nonrefundable with carry forward periods ranging from three to ten years.

Louisiana
Act 325, effective June 22, 2017, modified the Alternative Fuel Vehicle and Fueling Infrastructure Tax Credit, including clarifying that the costs associated with fueling station infrastructure that are not directly related to the delivery of an alternative fuel into the fuel tank of motor vehicles are not eligible for the credit.

Maryland
The Maryland Alternative Fuel Infrastructure Program (AFIP) provides grants to plan, install, and operate public access alternative fueling and charging infrastructure. Private access natural gas and propane fueling stations are eligible for funding. Only Maryland-based private businesses are eligible, and projects must take place in the state. Grant award amounts are based on the alternative fuel technology and are capped at 50 percent of project costs. Applicant cost share must be at least 50 percent.

Michigan
Qualified service station owners and operators may receive matching grants to convert existing, and install new, fuel delivery systems designed to provide E85 and biodiesel blends. Grants may not exceed 75 percent of the costs to convert existing fuel infrastructure, up to $3,000 per facility. Grants may not exceed 50 percent of the construction costs to install new fueling infrastructure, up to $12,000 per facility for E85 and $4,000 per facility for biodiesel blends.

Minnesota
The state offers funding assistance to fuel retailers for the installation of equipment to dispense ethanol fuel blends ranging from E15 to E85. Grant amounts are based on the extent to which the installation meets project priorities.

Missouri
For tax years beginning on or after January 1, 2015, an income tax credit is available for the cost of constructing a qualified alternative fueling station. The credit is 20 percent of the costs directly associated with the purchase and installation of any alternative fuel storage and dispensing equipment or electric vehicle supply equipment, up to $1,500 for individuals or $20,000 for businesses.

Montana
The state allows a tax credit for up to 15 percent of the equipment costs incurred the year blending begins for investment made in storage and blending equipment used to blend biodiesel made from Montana-based feedstocks where by the end of the third year, biodiesel sales will at least total two percent of diesel sales.

North Carolina
A taxpayer who constructs a qualified fueling facility that dispenses biodiesel, ethanol or gasoline blends of at least 70 percent ethanol is eligible for a tax credit equal to 15 percent of the cost of constructing and installing the dispending infrastructure that is directly and exclusively used for dispending or storing the fuel.

North Dakota
The state offers a 10 percent income tax credit for the direct costs to adapt or add equipment that enables a facility to sell at least two percent biodiesel blends (B2). Additionally, through the Biofuels Blender Pump Program, the state offers cost-share grants of up to $5,000 per fueling pump, up to $20,000 per retail location, to motor fuel retailers who install qualified biofuel blender pumps and associated equipment. Qualified

retailers are also eligible for grants of up to $14,000 at each retail location for tanks and piping installed at the same time the blender pump is installed. Finally, the Department of Commerce administers the Biofuels Infrastructure Partnership (BIP) grant program. The BIP program works with retailers and state and local government fleets to install infrastructure for higher blends of ethanol.

Oregon

The Retail and Fleet Biofuels Infrastructure Grant provides incentives of up to $10,000 to install or convert fueling equipment at retail gasoline stations and fleet fueling sites to B20 or higher biodiesel blends and E85 ethanol blends.

Rhode Island

The Alternative Fueled Vehicle and Filling Station Tax Credit entitles taxpayers to a tax credit equal to 50 percent of the capital, labor, and equipment costs associated with the construction of, or improvement to, any alternative fuel fueling or recharging station providing domestically produced alternative fuel or facilities for recharging electric vehicles.

South Carolina

South Carolina allows a taxpayer tax credits for placing in service property that is used for distributing or dispensing renewable fuels, or constructing a commercial facility that produces renewable fuels repealed effective for facilities. The credit is equal to up to 25 percent of the purchase, construction and installation costs.

South Dakota

South Dakota allows a tax credit for up to 25 percent of the purchase, construction, and installation costs for the fueling facility including pumps, storage tanks, and related equipment taken in three equal annual installments. Qualifying fuels include blends containing at least 70 percent ethanol (E70) dispensed at the retail level for use in motor vehicles, and pure ethanol or biodiesel fuel dispensed. Additionally, the Department of Tourism and State Development may provide grants to retail motor fuel dealers for the purchase or installation of ethanol blender pumps, storage systems, and related equipment. Blender pumps must dispense a blend of either 10 percent ethanol (E10) or the minimum blend percentage approved for all vehicles by the EPA, a blend of at least 15 percent ethanol (E15), and E85.

Texas

The state provides grants for 50 percent of eligible costs, up to $600,000, to construct, reconstruct, or acquire a facility to store, compress, or dispense alternative fuels in the Clean Transportation Zone. Qualified alternative fuels include biodiesel, electricity, natural gas, hydrogen, propane, and fuel mixtures containing at least 85 percent methanol (M85).

Wisconsin

A tax credit is available for 25 percent of the cost to install or retrofit fueling pumps that dispense gasoline fuel blends of at least 85 percent ethanol or diesel fuel blends of at least 20 percent biodiesel fuel or that mix fuel from separate storage tanks and allow the user to select the percentage of renewable fuel. The maximum credit amount is $5,000 per taxable year for each fueling station that has installed or retrofitted a pump. The credit must be claimed within four years of the tax return and expires December 31, 2017.

Credit for Investment in Clean-Burning Fuel or Electric Vehicle Property	
Intent	Increase the number of clean-burning fuel and electric vehicles in use in Oklahoma
Start Date	January 1, 1991
End Date	December 31, 2027
Administered by	Oklahoma Tax Commission
Characteristics	☐ Refundable ☐ Transferrable ☒ Carry-Forward ☐ Capped
Financial Impact	$8,988,000 / 487 returns (per 2019-2020 Tax Expenditure Report)
2017 Review Findings and Recommendations	Overall Recommendation: Reconfigure by retaining the infrastructure credit while sunsetting the vehicle credit Key Findings: 1. Total credits peaked in 2013 but declined in the most recent two tax years 2. The number of CNG and electric fueling stations has increased significantly in recent years 3. Oklahoma has an above average share of CNG stations 4. There is insufficient data to accurately estimate or verify the total economic or tax revenue impacts of the clean burning fuel vehicle credit 5. Oklahoma's program is comparable to other states and was not found to be an outlier in any aspects 6. Adequate financial protections are not in place 7. Data collection and reporting issues exist, but improvements are being made Other Recommendations: 1. Structure the program to phase out 2. Improve reporting on the credit
Changes Following 2017 Review	H.B. 2095 of 2019 made several changes to the incentive, including: 1. Extended sunset date from December 31, 2019 to December 31, 2027 2. Altered the credit calculation percentages: instead of 45 percent of the cost of the vehicle, the credit is now calculated according to weight; further, the infrastructure component is reduced from 75 percent to 45 percent of the cost of property by location 3. Enacted a statewide cap of $20 million annually effective tax year 2020 and after. The Tax Commission is to calculate and publish a % by which credits will be reduced if total credits exceed the cap
2021 Evaluation Criteria	1. Number of qualified credits 2. Change in number qualified vehicles versus prior to credit 3. Change in clean burning fuel vehicles Oklahoma versus other states

Statute Synopsis - §68-2357.22; Rule 710:50-15-81

Provides one-time credits for investments in qualified clean-burning fuel property placed in service after December 31, 1990:

Vehicle Credit

For equipment installed to convert a gasoline or diesel-fueled vehicle to a vehicle propelled by CNG, LNG or liquefied petroleum[17], or for the attributable portion of vehicles originally equipped to be propelled by CNG, LNG or liquefied petroleum, the maximum amount of the credit is based on gross vehicle weight as follows:

- 6,000 pounds or less: $5,500
- 6,001-10,000 pounds: $9,000
- 10,001-26,500 pounds: $26,000
- 26,501 pounds or more: $50,000

Infrastructure Credits

- For property directly related to the delivery of CNG, LNG or liquefied petroleum for commercial purposes or for a fee or charge, or for a metered-for-fee, public access recharging system for electric vehicles[18], the credit is equal to 45 percent of the cost of property per location
- For property directly related to the compression and delivery or natural gas from a private home or residence for noncommercial purposes[19], the credit is equal to the lesser of 50 percent of the cost of the property or $2,500 per location

In cases where no credit has been claimed by any prior owner and when a vehicle is purchased with qualified property installed by the manufacturer and the purchaser cannot determine the exact basis, the credit is equal to the lesser of 10 percent of the cost of the vehicle or $1,500.

Effective July 1, 2014, the Tax Commission calculates 5 percent of the cost of qualified property during the second tax year preceding the fiscal year and transfers that amount to the Compressed Natural Gas Conversion Safety and Regulation Fund.

Effective January 1, 2020, no more than $20 million of credit may be allowed to offset tax in a taxable year.[20] For tax year 2020, the full amount of the statutory credit is available.

Preliminary Benchmarking

More than half of all states previously offered or currently offer incentives related to investments in clean-burning fuel and/or electric vehicles. Among states neighboring Oklahoma, only New Mexico has not offered an incentive, though notably, most have sunset their programs or are in the process of phasing them out. The following provides a summary of the programs offered or previously offered by neighboring states; a comprehensive list of state programs nationwide is provided in the appendices.

[17] The equipment must be new and not previously used to modify or retrofit any other vehicle, must be installed by a certified alternative fuels equipment technician, must meet all Federal Motor Vehicle Safety Standards and, for any commercial vehicles, must follow the Federal Motor Carrier Safety Regulations or Oklahoma Intrastate Motor Carrier Regulations.

[18] The property must be new and must not have been previously installed or used to refuel vehicles powered by CNG, LNG or liquefied petroleum or electricity.

[19] The property must be new and must not have been previously installed or used to refuel vehicles powered by natural gas.

[20] The Tax Commission annually calculates and publishes a percentage by which the credits are reduced so the total credits awarded do not exceed the $20 million cap. The formula used is $20 million divided by the credits claimed in the second preceding year. In the event the total credits exceed $20 million, the Tax Commission shall permit the excess, but shall factor that excess into the percentage adjustment formula for subsequent years.

Arkansas

Now expired, Arkansas' Alternative Fuel Vehicle Rebate Program provided:[21]

- 50 percent of the incremental cost, up to $4,500, to purchase a qualified hydrogen fuel cell, natural gas or propane vehicle
- 50 percent of the conversion cost, up to $2,500, for converting a hydrogen fuel cell, natural gas or propane vehicle
- 50 percent of the incremental cost, up to $2,500, to purchase a qualified plug-in electric vehicle
- 75 percent of qualifying costs, up to $400,000, for natural gas and propane fueling stations
- 50 percent of qualifying costs, up to $900 for private electric vehicle supply equipment and $5,000 for public electric vehicle supply equipment

Colorado

Since 1992, Colorado has offered Alternative Fuel Vehicle Tax Credits to people who purchase or lease alternative fuel vehicles, or who convert their existing vehicle to run on an alternative fuel source. Qualifying vehicle types include electric vehicles, plug-in hybrid electric vehicles, liquefied petroleum vehicles and CNG vehicles. The credit is worth up to $5,000 for passenger vehicles and more for trucks. The tax credit for most vehicles is being phased out as shown in the following table and is set to expire on January 1, 2022.[22]

Vehicle Type	For Purchased and Converted Vehicles			Leased Vehicles		
	2019	2020	2021	2019	2020	2021
Passenger Vehicles	$5,000	$4,000	$2,500	$2,500	$2,000	$1,500
Light Duty Trucks	$7,000	$5,500	$3,500	$3,500	$2,750	$1,750
Medium Duty Trucks	$10,000	$8,000	$5,000	$5,000	$4,000	$2,500
Heavy Duty Trucks	$20,000	$16,000	$10,000	$10,000	$8,000	$5,000

Kansas

Since 1996, Kansas has offered Alternative Fuel Tax Credits to taxpayers for expenditures related to qualified alternative-fueled vehicles or qualified alternative fuel fueling stations.[23] Since 2005, the vehicle credit has been equal to 40 percent of the incremental cost or conversion cost; the maximum credit is based on vehicle weight as follows:

- Less than 10,000 pounds: $2,400
- 10,001-26,000 pounds: $4,000
- 26,001 pounds or more: $40,000

Since 2009, the credit for qualified fueling stations is equal to 40 percent of the total amount expended for each station, not to exceed $100,000. Since 2013, the credit has only been available to corporations and not individuals, partnerships, S corporations, LLCs or other pass-through entities. Credits may be carried forward for three years.

[21] U.S. Department of Energy, "Alternative Fuel Vehicle and Infrastructure Rebate Program." Available at https://afdc.energy.gov/laws/10672#:~:text=The%20Program%20provides%2050%25%20of,to%20%242%2C500%2C%20to%20purchase%20a

[22] Colorado General Assembly, "Alternative Fuel Vehicle Tax Credits." Available at https://leg.colorado.gov/content/alternative-fuel-vehicle-tax-credits

[23] Kansas Department of Revenue, "Alternative Fuel Tax Credit." Available at https://www.ksrevenue.org/prtaxcredits-altfuel.html

Missouri

Between January 1, 2015 and January 1, 2018, Missouri offered an Alternative Fuel Infrastructure Tax Credit for business owners or private citizens who invested in alternative fuel refueling property. The credit was capped at $1,500 per private citizen and the lesser of $20,000 and 20 percent of the cost of the property for businesses. At least 51 percent of the costs were required to be paid to qualified Missouri contractors. Credits had a two-year carryforward and were transferable and had a $1 million cap per year.[24]

Texas

Through the AirCheck Texas Drive a Clean Machine program, Texas provided vehicle replacement assistance for qualified individuals owning vehicles registered in participating counties. Vouchers in the amount of $3,500 were available toward the purchase of a hybrid electric, battery electric or natural gas vehicle that was up to three model years old. Funding for the program was vetoed in 2017.[25]

[24] Missouri Department of Natural Resources, "Missouri Alternative Fuel Infrastructure Tax Credit." Available at https://energy.mo.gov/assistance-programs/missouri-alternative-fuel-infrastructure-tax-credit#:~:text=The%20credit%20you%20are%20allowed,and%20dispensing%20equipment%20or%20any

[25] Texas Commission on Environmental Quality, "AirCheck Texas Drive a Clean Machine is Closed." Available at https://www.tceq.texas.gov/airquality/mobilesource/vim/driveclean.html

Appendix A: Quality Jobs Basic Industries

Quality Jobs Basic Industries	
Industry	**NAICS Codes**
Adjustment and Collection Services (75% out-of-state debtors)	561440
Agricultural Production	112120
Alternative Energy Equipment Installation	238160 238220
Alternative Energy Structure Construction	237130
Arrangement of Passenger Transportation	561510 561599
Central Administrative Offices, Corporate Offices and Technical Services	5611 5612 51821 519130 52232 56142 524291 551114
Certain Communications Services	517110 51741 51791
Certain Jobs Related to the Mining of Oil and Gas	2111 213111 213112 486
Certain Refuse Systems that distribute methane gas	5622
Certain Warehouse/Distribution Operations Where 40% of inventory is shipped out-of-state	No Codes Listed
Computer Programming, Data Processing and other Computer Related Services	5112 5182 5191 519130 5415

Quality Jobs Basic Industries (continued)	
Electric Service Companies (90% of energy input sourced in-state, 90% of sales out-of-state)	221111-221122
Engineering, Management and Related Services	5412 5414-5417 54131 54133 54136 54137 541990
Federal Civilian Workforce of the FAA Where jobs are migrating to Oklahoma from other Federal sites, or expansion here	No Codes Listed
Flight Training Services	611512
Grocery Wholesale Distributing	4244 4245
Insurance Carriers	5241
Insurance Claims Processors Only	524210 524292
Manufacturing	31 32 33 5111 11331
Miscellaneous Business Services	561410 56142 51911
Miscellaneous Equipment Rental	5324
Motor Freight Transportation and Warehousing	493 484 4884-4889
Offices of Real Estate Agents & Brokers (75% of transaction out-of-state)	53120 6215
Other support activities for air transportation	488190
Professional Organizations	813920
Rail Transportation	482

Quality Jobs Basic Industries (continued)	
Research, development and testing Labs	541711 541712 541380
Securities, Commodities, Investments	523
Sports Teams & Clubs	711211
Support Activities for Rail and Water Transport	4882 4883
Transportation by Air, If corporate HQ and some reservation activities are within the state or 75% of air transport sales are to out-of-state consumers	4811
Transportation of Freight or Cargo	541614
Wind Power Electric Generation Equipment Repair & Maintenance	811310

Appendix B: 21st Century Quality Jobs Basic Industries

21st Century Quality Jobs Basic Industries	
Industry	**NAICS Codes**
Adjustment and Collection Services (75% out-of-state debtors)	561440
Agricultural Production	112120
Alternative Energy Equipment Installation	238160 238220
Alternative Energy Structure Construction	237130
Arrangement of Passenger Transportation	561510 561599
Central Administrative Offices, Corporate Offices and Technical Services	5611 5612 51821 519130 52232 56142 524291 551114
Certain Communications Services	517110 51741 51791
Certain Refuse Systems that distribute methane gas	5622
Certain Warehouse/Distribution Operations Where 40% of inventory is shipped out-of-state	No Codes Listed
Computer Programming, Data Processing and other Computer Related Services	5112 5182 5191 519130 5415
Electric Service Companies (90% of energy input sourced in-state, 90% of sales out-of-state)	221111-221122

21st Century Quality Jobs Basic Industries (continued)	
Engineering, Management and Related Services	5412 5414-5417 54131 54133 54136 54137 541990
Federal Civilian Workforce of the FAA Where jobs are migrating to Oklahoma from other Federal sites, or expansion here	No Codes Listed
Flight Training Services	611512
Grocery Wholesale Distributing	4244 4245
Insurance Carriers	5241
Insurance Claims Processors Only	524210 524292
Manufacturing	31-33 5111 11331
Miscellaneous Business Services	561410 56142 51911
Miscellaneous Equipment Rental	5324
Motor Freight Transportation and Warehousing	493 484 4884-4889
Offices of Real Estate Agents & Brokers (75% of transaction out-of-state)	53120 6215
Other support activities for air transportation	488190
Professional Organizations	813920
Rail Transportation	482

21st Century Quality Jobs Basic Industries (continued)	
Research, development and testing Labs	541711 541712 541380
Securities, Commodities, Investments	523
Sports Teams & Clubs	711211
Support Activities for Rail and Water Transport	4882 4883
Transportation by Air, If corporate HQ and some reservation activities are within the state or 75% of air transport sales are to out-of-state consumers	4811
Transportation of Freight or Cargo	541614
Wind Power Electric Generation Equipment Repair & Maintenance	811310
NAICS Codes added for 21st Century Quality Jobs Only	
Specialty Hospitals	62231
Performing Arts Companies	7111
50% out-of-state sales requirement for:	
Funds, Trusts, and other Financial Vehicles	525
Insurance Carriers and Related Activities	524
Heavy and Civil Engineering Construction	237
Motion Picture and Video Industries	5121
Professional, Scientific, and Technical Services	5411 5412 5413 5414 5418 5419
Sound Recording Industries	5122

Appendix C: Small Employer Quality Jobs Basic Industries

Small Employer Quality Jobs Basic Industries	
Industry	**NAICS Codes**
Adjustment and Collection Services (75% out-of-state debtors)	561440
Agricultural Production	112120
Alternative Energy Equipment Installation	238160 238220
Alternative Energy Structure Construction	237130
Arrangement of Passenger Transportation	561510 561599
Central Administrative Offices, Corporate Offices and Technical Services	5611 5612 51821 519130 52232 56142 524291 551114
Certain Communications Services	517110 51741 51791
Certain Refuse Systems that distribute methane gas	5622
Certain Warehouse/Distribution Operations Where 40% of inventory is shipped out-of-state	No Codes Listed
Computer Programming, Data Processing and other Computer Related Services	5112 5182 5191 519130 5415
Electric Service Companies (90% of energy input sourced in-state, 90% of sales out-of-state)	221111-221122

Small Employer Quality Jobs Basic Industries (continued)	
Engineering, Management and Related Services	5412 5414-5417 54131 54133 54136 54137 541990
Federal Civilian Workforce of the FAA Where jobs are migrating to Oklahoma from other Federal sites, or expansion here	No Codes Listed
Flight Training Services	611512
Grocery Wholesale Distributing	4244 4245
Insurance Carriers	5241
Insurance Claims Processors Only	524210 524292
Manufacturing	31 32 33 5111 11331
Miscellaneous Business Services	561410 56142 51911
Miscellaneous Equipment Rental	5324
Motor Freight Transportation and Warehousing	493 484 4884-4889
Offices of Real Estate Agents & Brokers (75% of transaction out-of-state)	53120 6215
Other support activities for air transportation	488190
Professional Organizations	813920
Rail Transportation	482

Small Employer Quality Jobs Basic Industries (continued)	
Research, development and testing Labs	541711 541712 541380
Securities, Commodities, Investments	523
Sports Teams & Clubs	711211
Support Activities for Rail and Water Transport	4882 4883
Transportation by Air, If corporate HQ and some reservation activities are within the state or 75% of air transport sales are to out-of-state consumers	4811
Transportation of Freight or Cargo	541614
Wind Power Electric Generation Equipment Repair & Maintenance	811310

Appendix D: Incentive Benchmarking

Capital Gains Deduction Benchmarking								
State	**Incentive**	**Real Property**	**Real Property Location Requirement**	**Holding Period Requirement**	**Cap**	**Stock or Ownership Interest**	**Stock or Ownership Interest Requirement**	**Other Requirements**
Oklahoma	Full Deduction	Qualifies	Must be located in Oklahoma	At least 5 years for meal property; At least 3 years for stock or ownership interest	None	Qualifies	Must be stock or ownership interest in an entity with a primary headquarters located in Oklahoma for 3 years prior to the transaction	-
Arkansas	50% to 100% Deduction	Qualifies	Must be located in Arkansas	None	None	Qualifies	Small business (total capitalization less than $100 million) must be held for at least 5 years to receive 50% deduction and at max 10 years to receive 100% deduction.	Capital gains in excess of $10 million qualify for 50% deduction. Venture capital investments can be 100% deducted if held for at least 5 years.
Colorado	Full Deduction	Qualifies	None	5 consecutive years	Up to $100,000 per deduction	Does not qualify	N/A	-
Idaho	60 percent deduction	Qualifies	Must be located in Idaho	At least 1 Year*	None	Does not qualify	N/A	-
Iowa	Full Deduction	Qualifies	None	At least 10 Years	None	Qualifies	Qualifies only when stock transaction is considered acquisition of a company's assets. 50% of the gain from the sale/exchange of employer securities of an Iowa corporation to a qualified Iowa employee stock ownership plan (ESOP) may be eligible for the Iowa capital gain deduction.	-

Capital Gains Deduction Benchmarking (continued)								
State	**Incentive**	**Real Property**	**Real Property Location Requirement**	**Holding Period Requirement**	**Cap**	**Stock or Ownership Interest**	**Stock or Ownership Interest Requirement**	**Other Requirements**
Mississippi	Full Deduction	Does not qualify	N/A	1 Year	None	Qualifies	Only stock in Mississippi - domiciled financial institutions.	-
Montana	2 percent of qualified gain (Tax Credit)	Qualifies	None	None	None	Qualifies	None	-
South Carolina	44% Deduction	Qualifies	None	None	None	Qualifies	None	No pass-through entities eligible
Utah	5 percent of qualified gain (Tax Credit)	Qualifies	None	None	None	Qualifies	Must be issued by a Utah Small Business Corporation	70 percent or more of the proceeds of the capital gain transaction must be expended to purchase qualifying stock in a Utah small business corporation within a 12 month period after the transaction
Virginia	Full deduction	Does not qualify	N/A	At least 1 Year	None	Qualifies	Must be investment in a technology firm primarily engaged and substantially producing in Virginia	The qualifying company's annual gross revenue's cannot exceed $3 million in aggregate cash proceeds from the issuance of equity and debt
Wisconsin	30% Deduction	Qualifies	N/A	Real Property: 1 Year Stocks: 5 Years	None	Qualifies	Must be stock in a Wisconsin registered business	60% deduction for farm assets held more than 1 year

**Cattle, horses, and breeding livestock must be held for 24 months*

Home Office Tax Credit Benchmarking							
	Oklahoma	**Arkansas**	**Colorado**	**Maryland**	**Nevada**	**North Dakota**	**South Dakota**
Job Creation Requirement	Yes	No	No	No	No	No	No
Home Office	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Regional Office	Yes	Yes	Yes	No	Yes	Yes	Yes
Benefit Type	Tax Credit	Reduced Rate	Reduced Rate	Tax Credit	Tax Credit	Tax Credit	Tax Deduction
Benefit Amount	15 to 50 percent of premium tax*	Equal to the noncommissioned salaries and wages of the insurer's Arkansas based employees connected to its insurance operations	50 percent of standard premium tax	Amount of Retaliatory Tax	50 percent of premium tax, plus an amount equal to ad valorem tax on the property, up to an additional 30 percent of premium tax	Amount of Examination Fees, plus an amount equal to ad valorem taxes paid during the calendar year	50 percent of premium tax, plus an amount equal to ad valorem tax on the property or PILOTS, up to an additional 30 percent of premium tax
Aggregate Program Cap	None	$18 million; Not more than 80 percent of the standard premium tax	None	$1 million	$5 million	None	30% of the amount of the tax otherwise payable without the application of the credit

Quality Jobs Benchmarking						
	Oklahoma	**Louisiana**	**Missouri**	**Kansas**	**Arkansas**	**Colorado**
Name	Quality Jobs	Quality Jobs	Missouri Works	PEAK	Advantage Arkansas	Job Growth Incentive Tax Credit
Job Creation Requirement	None	15 New Jobs	10 or more new jobs; 2 or more if located in rural area or other designated zone	10 or more new jobs in metropolitan areas; 5 new jobs in other areas	None	20 new jobs; 5 new jobs if business is located in an Enhanced Rural Enterprise Zone
New Payroll Requirement	$2.5 Million	$675,000 for businesses with 50 or more employees $225,000 for businesses with under 50 employees	None	None	$50,000 to $125,000, depending on county	None
Wage Requirement	Wages paid to new jobs must be greater than or equal to the average County wage where the business is located	$18 per hour for 4 percent rebate $21.66 per hour for 6 percent rebate	90% of County Avg Wage*	Wages must be greater than or equal to the county median wage where the company is located	Average hourly wage of the company must be greater than $12.50	Average wage greater than or equal to the county average wage
Health Insurance Requirement	Employees must pay no more than 50 perent of the premium cost	$1.25 per hour in health care benefits for full-time employees Must offer coverage for dependents of full-time employees At least 50 percent of employees in new jobs must accept coverage	Full-time employees must be offered health insurance and the company must pay at least 50 percent of premium	Full-time employees must be offered health insurance and the company must pay at least 50 percent of premium	None	None

Quality Jobs Benchmarking (continued)						
	Oklahoma	**Louisiana**	**Missouri**	**Kansas**	**Arkansas**	**Colorado**
Capital Investment Requirement	None	None	Capital investment of $100,000 required if company is located in rural area or other designated zone where the job creation requirement is 2	None	None	None
Benefit Type	Cash Rebate	Cash Rebate	Retention of State payroll withholding tax and tax credits	Retention of State payroll withholding tax	Income Tax Credit	Income Tax Credit
Benefit Amount	5 or 6 percent of Qualified Payroll	4 or 6 percent of payroll	Retention of 100 percent of State payroll withholding tax and tax credit of 6 to 7 percent of new payroll	Retention of 95 percent of State payroll withholding tax	1 to 4 percent of new payroll, depending on county; additional 1 percent of payroll if average wages of new employees exceed 125 percent of the lesser of the state or county average wage	50 percent of FICA paid on new jobs
Benefit Period	Up to 10 Years	5 Years	5 or 6 Years	5 to 7 Years	5 Years	8 Years
Aggregate Program Cap	None	None	$116 million	None	Cannot offset more than 50 percent of a business's income tax liability in any one tax year.	None

21st Century Quality Jobs Benchmarking				
	Oklahoma	**Georgia**	**New Mexico**	**South Carolina**
Name	21st Century Quality Jobs	Quality Jobs Tax Credit	High-wage Job Tax Credit	Job Tax Credits
Job Creation Requirement	10 new jobs	At least 50 within 24 months	At least 1 new job	25 new jobs
Payroll Requirement	N/A	None	None	None
Wage Requirement	300 percent of the average county wage, not including healthcare	110 to 120 percent of the average county wage for $2,500 credit; 120 to 150 percent of the average county wage for $3,000 credit; 150 to 175 percent of the average county wage for $4,000 credit; 175 to 200 percent of the average county wage for $4,500 credit; 200 percent or more for $5,000 credit	$40,000 or $60,000 annual salary, depending on location	2.5 times the lesser of county and State average
Health Insurance Requirement	Companies must offer employees health insurance and pay at least 50 percent of premiums	None	None	None
Capital Investment Requirement	None	None	None	None
Benefit Type	Cash Rebate	Tax Credit	Tax Credit	Tax Credit
Benefit Amount	Up to 10 percent of qualifying new payroll	$2,500 - $5,000 per job	8.5 percent of qualifying new payroll or up to $12,750 per new job	$1,500, $2,750, $20,250, or $25,000 per job depending on county development tier
Benefit Period	Up to 10 Years	5 Years	A job may qualify for the credit for 4 years	5 years
Aggregate Program Cap	None	None	None	None

Small Employer Quality Jobs Benchmarking						
	Oklahoma	**South Carolina**	**Illinois**	**Louisiana**	**Alabama**	**Kentucky**
Name	Small Employer Quality Jobs	Annual Small Business Job Tax Credit	Small Business Job Creation Tax Credit	Quality Jobs	Full Employment Act of 2011	Small Business Tax Credit
Size Requirement	90 or fewer full-time employees in Oklahoma	99 or fewer employees worldwide	No more than 50 full-time employees worldwide	No more than 50 employees	No more than 50 employees	No more than 50 employees
Job Creation Requirement	5 to 15 new jobs, depending on location	Monthly average of two new jobs per month of operation during the tax year	None	5 new jobs	Any net increase from previous tax year qualifies	At least one new job
Payroll Requirement	N/A	None	None	Greater than or equal to $225,000	None	None
Wage Requirement	100, 110, or 125 percent of the average county wage of small employers, depending on the location of the company	Greater than or equal to 120 percent of per capita income for lesser of state and county If job pays less than 120 percent but still greater than the applicable per capita income, company qualifies for 50 percent of credit amount for that job	$10 per hour	$18 per hour for 4 percent rebate $21.66 per hour for 6 percent rebate	More than $10 per hour	150% of the federal minimum wage
Health Insurance Requirement	Employees must pay no more than 50% of the premium cost	None	None	$1.25 per hour in health care benefits for full-time employees Must offer coverage for dependents of full-time employees At least 50 percent of employees in new jobs must accept coverage	None	None

Small Employer Quality Jobs Benchmarking (continued)						
	Oklahoma	**South Carolina**	**Illinois**	**Louisiana**	**Alabama**	**Kentucky**
Capital Investment Requirement	None	None	None	None	None	$5,000
Benefit Type	Cash Rebate	Tax Credit	Tax Credit	Cash Rebate	Tax Credit	Tax Credit
Benefit Amount	5 percent of new job payroll	$1,500 to $8,000 per job	Maximum of $5,000 per employee	4 or 6 percent of payroll	$1,000 per employee	$3,500 to $25,000
Benefit Period	7 Years	5 Years	1 Year	5 Years	None	Can re-apply annually

pfm

March 22, 2021

Memorandum

To: Oklahoma Incentive Evaluation Commission

From: Randall Bauer, Dr. Ellen Harpel, PFM

RE: Business Incentive Evaluations and Layering

As has been discussed in past Commission meetings, in many instances, more than one business incentive is provided to a business seeking to locate into or expand its Oklahoma operations. This 'layering' of incentives can make it difficult to isolate the impact of a specific business incentive. The project team has addressed this issue in past evaluations, and there has been discussion about approaches to further account for layering among different incentive programs within the evaluation process.

The project team believes there may be an opportunity (or opportunities) to further identify the level of overlap among different incentives with similar targets, obtain insight into whether layered incentives work well together or are redundant, and incorporate the implications of layering multiple incentives into individual program evaluations. In response, the project team has identified the following methods for the Incentive Evaluation Commission's (IEC's) feedback and consideration.

1. The current approach is to include in each evaluation a section on the potential for layering where overlap among target recipients (such as manufacturers) has been identified. Data and time limitations may hinder a complete listing of the projects receiving multiple incentives and estimating the potential effect on outcomes.
2. Currently, the schedule for evaluation of incentives provides some grouping of similar or overlapping incentives. The current statutory requirement that incentives be evaluated at least once every four years limits additional grouping beyond what was done in the initial 2016 schedule (although the legislature may revise the statute to allow further revision). Allowing more grouping during evaluation periods may make it easier to identify both redundancy and value. For example, in Colorado, a state legislator describing findings from recent evaluations explained, "Our manufacturing tax credit by itself sounds great but when seen in combination with a bunch of others, the benefits look different." (NCSL Evaluators Roundtable 2020)
3. A third approach would be to work with state agencies, primarily the Department of Commerce and the Oklahoma Tax Commission, to identify a set of major projects that have received multiple incentives. The project team could then prepare standalone case studies that would allow the Commission to examine more thoroughly the process through which multiple incentives are offered and the reasons for doing so, their relative value to recipients, and perspectives on effectiveness and efficiency from both the public and private sector. This is not currently part of the incentive evaluation process and may require legislative direction.
4. Alternatively, the project team could prepare a separate report (in lieu of case studies) compiling outcomes for selected projects that receive incentives from multiple programs separately from those that receive only a single program incentive. This approach would

provide less insight into process, value and rationale than the case study approach, but it would still offer valuable information on characteristics and outcomes among projects receiving layered incentives. This also differs from the current statute, which requires each incentive to be evaluated separately and in the aggregate. This 'project-by-project' view would also involve local factors that are not currently generally considered for the statewide evaluations.

5. States are increasingly undertaking a strategic review of their incentive portfolio in addition to conducting individual incentive evaluations. The objectives are typically to ensure that incentives are being used in accordance with state economic development priorities and to update programs as needed for an evolving economic and competitive environment. While not a business incentive evaluation per se, this type of review would allow Oklahoma to identify redundancies and clarify how different incentive programs are intended to work together. The findings and recommendations from past IEC program evaluations would play an important role in any strategic review. This, however, is also outside the scope of the statutory charge for the IEC.

6. The project team could pursue more advanced analytical and/or modeling methods to understand the impact associated with interactions among tax incentive programs. Our review of the academic literature has identified several options that may be worth exploring in more detail. For example, it may be possible to adapt the regression methods used by Serrato and Zidar (2018) in their examination of the heterogeneous effects of tax rate changes. Methods and findings related to the federal Housing and Urban Development (HUD) "subsidy layering rule," associated with the Low Income Housing Tax Credit (Abravenel et al 2010, citing McClure 2000) and other housing programs (Federal Register 2020), may also be applicable.

Resources

NCSL Roundtable on Evaluating Economic Development Tax Incentives. October 2020.

Serrato, Juan Carlos Suarez, and Owen Zidar. 2018. "The Structure of State Corporate Taxation and Its Impact on State Tax Revenues and Economic Activity." Working Paper Working Paper 23653. NBER Working Paper Series. Cambridge, MA: National Bureau of Economic Research.

Abravanel, Martin, Nancy Pindus, and Brett Theodos. 2010. "Evaluating Community and Economic Development Programs. A Literature Review to Inform Evaluation of the New Markets Tax Credit Program." Washington, DC: Urban Institute.

https://www.federalregister.gov/documents/2020/02/28/2020-04147/administrative-guidelines-subsidy-layering-review-for-project-based-vouchers